

The Nation's Business

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The Union of the Americas as President Wilson Sees It

"In the midst of this period of war, the real ground of respect is justice and fairness and good will.

You cannot respect a man or a nation for which you cannot sooner or later acquire an affection, and the great advantage of intermixture, not only of actual intermixture of blood, but of constant intercourse between nations, is that there grows up a common understanding. We speak different languages, we have followed to some extent different customs, we have to some degree different national traditions, but at the

bottom we have got the same essential interests, and when we mix with one another and touch hands, we are apt to touch hearts, also. * * * I want to express my feeling as President of the United States that we are rapidly approaching a day when the Americas will draw together as they have never drawn together before, and that it will be a union, not of political ties, but of understanding and of mutual helpfulness."—President Wilson, on his visit to the Argentine Battleship, "Moreno," at Annapolis, March 29, 1915, addressing Ambassador Naon.

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"New Umpires of American Business," with the Opinions of Eminent Business Men on the Opportunity of the Federal Trade Commission; "The Spirit in Which the Pottery Report Was Made," by Secretary Redfield; The Chamber's Referendum on a Merchant Marine; "What Britain is Doing to Capture German Trade;" "A Conference on Pan American Finance;" "Some Unfinished Business for the Next Congress;" "Why Should We Have a National Budget?;" "Seven Months of Trade Through Panama;" "The Visit of Chinese Captains of Industry;" and "Commerce in the Month's News."

THE NATION'S BUSINESS

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Commerce in the Month's News

IN a recent address before his fellow alumni of Amherst College, Hon. Robert Lansing, Counselor for the State Department, whose pen drafted almost all the important diplomatic notes presented to the warring powers of Europe by the United States Government, said:

This war has made mechanical motive power an absolute necessity in military operations. The old strategy of surprise has given place to mobility. The petroleum products essential to rapid motion in the air, on land, and beneath the sea, are as necessary to a modern army and navy as arms and ammunition. New devices for communication and transportation are used now for the first time in war.

Put a little differently, in this all-absorbing topic of the world's thought and discussion, not only has the conduct of warfare become a vast business, but its very munitions and processes, its ways and means, are grounded more firmly than ever before in business principles and methods and in those material things with which business deals.

This war has profoundly disturbed the commerce of the world. Whether, in the final count, this disturbance will result to the benefit of all or only some of the trading nations it is, as yet, too early even to venture a guess. The belligerents have been proceeding as though war were the normal state of mankind and as though neutral nations had no rights—or very few—which fighting nations were bound to respect. Those peoples which have been at peace attending to their own affairs have expressed their resentment in repeated and vigorous protests to the warring powers, particularly to the Anglo-German duellists. We are naturally most interested in the attitude of our own government, set forth clearly in the note sent on March 30 (made public on April 5) to the British Government in the matter of the so called blockade of Germany. The Germans claim that the "disregard of international law" began with the announcement of the British Admiralty in January that the North Sea was a closed area. Our own interest in the situation, however, began with the transfer of the scene of the war activities to the British Channel.

The situation that called forth the American note, rapidly sketched, begins properly

with the action taken by the German Government, late in January, regarding the foodstuffs of the country. Germany had, it will be remembered, taken over from private hands all the grain and most of the other foodstuffs, dealing them out to individuals only under municipal supervision. This was interpreted by Great Britain to mean that thereafter Germany would make no distinction between supplies for the army and supplies for the civilian population. Therefore, Britain proposed to treat all foodstuffs consigned to Germany as contraband of war. On February 4, the Berlin Government retaliated by proclaiming that, after February 18, Germany would regard all the waters around the British Islands as a war zone and that, as far as possible, she would cut off all supplies destined for Great Britain. Neutral shipping was warned to keep out of these waters lest, despite precautions, such shipping should suffer from attacks by German submarines. On March 1, Britain, in her turn, gave notice, without, however, being specific, that she would adopt measures of reprisal, cutting off Germany entirely from commerce by the sea. The United States sent notes of protest to both powers, on the one hand, denying the right of Germany to interfere with neutral commerce and holding her responsible for damage to American ships, and on the other, asking Britain to explain her policy of reprisal.

On February 20, our State Department addressed notes to both London and Berlin, proposing certain modifications of the commercial war then raging. The suggestions included a proposed agreement not to sow floating mines, or to use submarines to attack merchant vessels, or to use neutral flags as a disguise. Berlin was requested to agree that foodstuffs from this country be consigned to American agents in Germany and distributed by them only to non-combatants, while Great Britain was asked to agree that foodstuffs thus consigned would not be interfered with by her warships. In her reply, dated March 1, Germany accepted most of the American suggestions, on condition that England also accept-

ed them. The British reply, dated March 15, presented a list of alleged German atrocities and violations of international law and declared that Great Britain and France had decided to stop all supplies going to or from Germany, for the first time referring to such measures as a sort of "blockade." Meanwhile, on March 5, our State Department had sent notes of inquiry to the French and British Governments protesting against the proclamation of a blockade without fulfilling the requirements for such a procedure. In reply, the British Government declared that its proposed form of blockade was less hard upon neutrals than the regular form, since there was no intention to confiscate ships or cargoes, but only to stop shipping, to or from enemy territory. Wide latitude was given to the commanders of allied warships in enforcing the so-called blockade. The French reply added an assurance that the action of the republic's warships would not be extended beyond European waters, including the Mediterranean. Meanwhile, German submarines had begun to sink British, and, occasionally, neutral-shipping in the war zone, and the Anglo-French "blockade" against German and neutral commerce had come into force.

The definitive reply of the United States Government to the policy of Great Britain and France not only as set forth in the notes of London and Paris, but as indicated by the action of British and French warships, is contained in the note of March 30, already referred to. Stripped of its diplomatic phraseology, it is a friendly statement that the United States denies the right of these belligerents to hamper the trade of neutrals and to depart from the established principles of international law merely because "Germany has already done so." The claim of "military necessity" is brushed aside. Admitting the difficulties both belligerents face, the note characterizes the British "Order in Council" of March 15 as "a practical assertion of unlimited belligerent rights over neutral commerce within the whole European area and an almost unqualified denial of the sovereign rights of the nations now at peace." The note states clearly that, in case British warships interfere with legitimate American trade, the United States "expects that the British Government will be prepared to make full reparation for every act which, under the rules of international law, constitutes a violation of neutral rights." For us to permit interference with our rights in this regard, "would be to assume an attitude of unneutrality toward the present enemies of Great Britain which would be obviously inconsistent with the solemn obligations of this Government in the present circumstances."

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At the time this note was dispatched to Great Britain, the positive as well as the negative neutrality of the United States was indicated by an American note to Germany on the sinking (on January 28) of the American sailing ship, *William P. Frye*, by the

German converted cruiser, *Eitel Friedrich*, (now interned at Norfolk) in which an itemized claim for damages was made upon the government at Berlin. It had been already intimidated by the German Ambassador at Washington that his government would make compensation, which it now agrees to do. To all those, finally, who have protested or appealed to the President or the Secretary of State, against the selling of war supplies to the allies as an unneutral act, the same reply has been made. While the selling of munitions of war may seem unfair to any belligerent that cannot get them, for Americans to refuse to sell them under the present circumstances would benefit one side exclusively and be, therefore, an unneutral act. All of which is proper and useful preliminary to a little consideration of just what trade interests the United States had with the belligerent nations before the war broke out, and how hostilities have affected such interests.

* * * * *

It will always be a matter of some discussion just how far a favorable balance of trade is evidence of sound business conditions, particularly in a country like the United States where, so far as more or less speculative figures can indicate it, our foreign trade is normally only such a small proportion of the total domestic business. In the ordinary course the foreign trade of the United States shows a balance in our favor. When the European war broke out, all the world's great mediums of exchange, including those of finance and transportation, were seriously crippled. The recovery in this country, however, if gradual, was sure, and the figures for the eight months from July 1, 1914, to March 1, 1915, show a balance in favor of the United States of exactly \$577,752,278.

* * * * *

It was not until the end of October that the paralyzing effects of the war which was engaging all the great trading nations of the world except the United States had been counteracted. During August, official figures show that the exports from New York were only half what they were in the same month in the year preceding. By November, however, exports were one and one-half times greater than for the same month in 1913. The depression shown by the figures for August and the two succeeding months, however, had not been completely counteracted by the revival in the first quarter of 1915. A comparison of the trade during the two periods of eight months, ending February 1914, and February 1915, shows that imports have decreased about 13 per cent. Exports also have decreased although to a less extent,—3 1-7 per cent. Despite the falling off in imports the favorable balance speaks well for the capacity of American business to adjust itself to new and revolutionary conditions in so comparatively short a space of time.

Some very interesting facts bearing upon the way the war has begun to deflect the currents of trade may be read in the figures of our business with the rest of the world, when such figures are grouped geographically. From twenty-two countries or administrative units with which our merchants have been doing business during the eight months ending March 1, of the present year, imports show a falling off in fifteen, while, from seven, we have taken more goods than before. To thirteen of these our exports have been larger, whereas the figures show that to nine we have sent less. Grouping the figures supplied by the Bureau of Foreign and Domestic Commerce of the Department of Commerce, according to the great alliances that are now contending in Europe, we find that, for the period under consideration, the United States received from the Central European powers (Germany, Austria-Hungary and Turkey in Europe) about fifty-four per cent of its normal amount of imports, while it sent to these nations only eleven per cent of the normal amount. The difference is due in part at least to the complete stoppage of the German and Austrian carrying trade. On the other side, from nations of the "Triple Entente" and the neutrals, the figures show that our imports approximate seventy-six per cent of normal. A great gain, however, is indicated in exports to these countries, a gain close to 137 per cent.

* * * * *

It is a very significant fact that trade with all the neutrals, particularly those with a maritime commerce of their own, shows—at least on the face of the figures—a substantial increase—Italy, the Netherlands, the Scandinavian countries, Greece, and Switzerland, (the only exception to this being the last). New centers of the distribution of the world's trade have been the result of the siege of the Teutonic allies by the Entente powers. The figures show that American goods going to Russia, Germany and Austria have passed through Italy and ports of Holland and Denmark. Besides, there has been the stimulus given to Italian, Dutch and Scandinavian commerce itself. The Danes are frankly claiming that Copenhagen has supplanted Hamburg as a continental distributing center. Will these countries be able to hold their advantage when the war is over and the Germanic peoples get down to business again?

* * * * *

The strategy of the war has brought out not only the dominance of sea power but the importance to the world's trade of the three great historic waterways—the Dardanelles, the work of nature, and the two man-made channels, the Suez Canal and the Panama Canal. Widely separated in distance, the course of history has linked these three together in a dramatic way. For nearly five centuries the Turks, an Asiatic race, have held both sides of the narrow waterway separating Europe and Asia. The taking of Constantinople in 1453 changed all the world's trade routes. The lands around the Mediterranean lost their commercial and political importance and adventurous navigators, setting out to discover another route to India, found America. All the vast social, economic and political



A FAIR EXCHANGE NO ROBBERY. UNCLE SAM'S CAPITAL FOR MISS LATIN AMERICA'S PRODUCTS. —From the *South American* (New York).

ical results of this have now been reversed. The taking of Constantinople by the allied fleet, which seems now only a matter of weeks, will mean that Europe once more becomes a Christian continent. The Dardanelles will undoubtedly be a free international highway, Russia will get out her grain and other products and the Balkan states gain a new life.

* * * * *

One of the results of Moslem control of Constantinople was the piercing of the Suez isthmus by a canal. As the Turk seems about to disappear from Europe he is formally ousted from Egypt which a few months ago became a British protectorate. The great Suez route to the east is now exclusively under British control. When the Turks seized the city of Constantinople Columbus was sent to find a new route to India. But it remained for French genius and American perseverance and engineering skill to cut a way through the two American continents. The canal at Panama, thanks to the genius and pluck of the American people, is a modern waterway open to the world, on modern terms, without that historic background of narrowness, bigotry and reaction which for so many centuries controlled the natural waterway, the Dardanelles, and the man-made commercial highway, the Suez Canal. We give on another page this month some of the outstanding facts of that trade, just beginning, which is justifying the great American task at Panama.

* * * * *

Two events of particular significance to our trade with the rest of world will mark the month of May. In the first few days, the visiting delegation of merchants and bankers from China will reach San Francisco and soon thereafter begin an extended tour of the country. On the 24th, the conference of American and Latin American financiers, called to find ways and means for bringing about closer commercial ties between the continents, will begin its sessions in Washington. Both of these events will be found described in this issue of THE NATION'S BUSINESS.

THE WAR AND THE TRADE BALANCE

ADJUSTING OURSELVES TO NEW CONDITIONS

NEW WORLD DISTRIBUTING CENTERS

THE DARDANELLES, SUEZ AND PANAMA

THE TURKS AND THE PANAMA CANAL

TWO IMPORTANT TRADE EVENTS

The Spirit in Which the Pottery Report was Made

The Secretary of Commerce Explains Why and How He Investigated the Industry

BY HON. WILLIAM C. REDFIELD,
Secretary of Commerce.

YEARS ago I became first the employee and then the partner of a gentleman who was, I think, on the whole, the ablest manufacturer I have ever known well. Certainly he was successful, whether success be measured by personal influence and usefulness or in financial proceeds. I remember that he used to say, in substance, that he wanted to know what was wrong about his business; that he knew the things that were going well, for there were plenty of people who would tell him about those even if he could not see them for himself. People were not so ready to tell him the things that were wrong, and he might not himself be always able to see them as clearly as he ought. Yet he was sure that perfection had not been reached, and therefore something, somewhere, could be bettered, and he wanted to "know where and how."

Business as "Patient Research"

As I look back at the years spent with him, I am impressed with the constant study he made of his business. It was a continual process of patient research. It was not prejudiced research, with judgment given in his own favor in advance; it was a seeking out facts, calmly and thoroughly. Nothing was good because he did it; no method was right because it was the customary method. He was looking for weak spots in his own ways, his own plans, his own ideas. I remember that he was wont to say that he did not know a great deal about his business, though it seemed to me that he knew more of it than most of his competitors did of theirs. He thought there was always something to be learned and he was keenly intent on learning it. Trade customs, if they were bad customs, seemed to him "more honored in the breach than in the observance."

In a time long prior to the common use of modern cost-accounting systems he would say that he could not be sure a department was properly handled until he could definitely know whether, taken by itself alone, it earned a profit or made a loss. Perhaps I ought to add that he put a higher emphasis upon the value of the human element in his factory than upon the physical equipment, and studied as hard, if not harder, to develop the former than the latter.

The Constructive Business Man

I venture to think that the same spirit of earnest self-criticism would remove many of the burdens that are now borne consciously or unconsciously by many of our business men. For, observe, the thought of the keen and able manufacturer of whom I have spoken, was always a constructive thought. He never thought to tear anything down, but always to build something up. For criticism for its own sake, he had little use. In him was no spirit of mere fault finding; on the contrary, it was the spirit of growth. Changes were not made by him for the sake of novelty. He was not one turned about by every wind of doctrine. He was from "Missouri"; he wanted to know. Like another friend, he felt that if he did not know why he knew what he thought he knew, he wanted to know. He was searching for truth in his own office and shop

and was not afraid to find it and be guided by it when found.

How far it is from common appears in the little wrath of some men to whom it is suggested that an improvement is possible. Once as a young man I pointed out to the old gentleman whose accountant I was that he was selling a certain machine for less than it cost him. He accused me of being arrogant, saying he had been thirty years in the business, and that it stood to reason that he knew more about it than one who had been in it but a few months. That statement of his should have been correct. It was true that he ought to have known, but on this particular point he did not happen to know, and his mind was closed to learning. Caution led me to seek en-

employment elsewhere, and in due time his business found its normal end in disaster. Yet, men act still as did the head of a large concern who employed a capable efficient engineer to improve his methods of production but complained bitterly that the first suggestion was that the president's methods be themselves altered. It would be as unfair as unkind to suggest that this narrow attitude is always exhibited. Not so. There are men of light and leading in every industry, and they are men of leading because their minds are open to light.

How Pottery Was Investigated

The inquiry into the pottery industry was conceived in the spirit of helpfulness, but it was not assumed that deceptive compliment and smooth-slurring over conditions that might be hurtful to the industry would be either kindly or helpful. It was intended that the truth should be shown as it was found, and it is our belief that it has been so shown.

It has been a pleasure for the officers of the Department, during the progress of the inquiry, often to meet men in the industry who were broad in spirit and keen in mind, sincerely anxious to improve their own methods of work and quite willing to forget the past if a better future could be shown. Indeed, one should go farther than that and say that the spirit of good will and confidence in which the manufacturers in this land and others threw open their factories and their accounts was admirable.

What has been found is told in the report. It does not tell the things which are not, but the things which are. It does not speak in a spirit of

partisanship, but of friendliness. The officer in charge of the inquiry was an experienced employee of the former Tariff Board. His hands were free, with broad instructions, save only that the truth be learned and told; and this he has quietly and courageously done in a report which on its merits and when it is considered that two bureaus cooperated in it, and that the ceramic chemist of the Bureau of Standards furnished a valuable scientific contribution to it, is believed to be unique among Government publications of the kind.

The "Premature" Criticism

The report was received, or rather a brief preliminary summary, less than one-tenth of the actual report in volume, was received

at first with a cry of dispraise from certain earnest advocates of things as they were in the pottery industry. It was perhaps a little embarrassing for them that their criticism was made before the full report itself was issued. Since the latter came out there has been a noticeable cessation of the outcry. It has been a privilege to find that some of the practical managers in the industry have been willing to look over the data respecting their own plants and the figures deduced therefrom; that one organization of employing potteries has appropriated funds for practical research into their own business; that more than one manufacturer in the line has expressed his satisfaction with the report and that at least one potter in Great Britain has stated that he wanted the data respecting his own plant that he might see where he was weak.

One is a little amused but not at all disconcerted by the criticisms of sun-claiming, so far as one knows, to be especially versed in matters industrial, to the effect that we have called certain American manufacturers inefficient, or have said that they did not know their own business. The truth is, that the report aims to be as far as possible from adjective characterizations. It tells the truth as it was found, and those from whom those truths were learned were not the men who wrote the report, but the men in the business who furnished the information contained therein. If anyone is calling anybody inefficient it is the manufacturers themselves who have furnished the facts from which that conclusion arises. In order that the spirit of

the Department may be clear, there was printed, on March 27, on the front page of "Commerce Reports," the following statement:

Statements have appeared from time to time in various papers relative to the report of the Bureau of Foreign and Domestic Commerce on the pottery industry, alleged to come from parties claiming to represent the Potter's Association, charging that the figures of cost in the report on the pottery industry have been twisted and distorted. These statements seem to have been made, however, prior to the issuance of the full report containing the facts in detail. In order that the fullest light may be thrown upon this matter, opportunity will be afforded to any potter who desires to take advantage of it to come in person or to send his representative to the Bureau of Foreign and Domestic Commerce, and there go over the data relating to his own plant with the agents who worked upon it and with the commercial agent in charge of the inquiry, in order that he may thereby see that from the data the figures printed in the report were correctly computed and derived.

The above invitation is now renewed, and the Department will welcome any comment.

Meanwhile, what is the lesson to practical men? None, if the conditions shown by the report do not apply. In such a case it may be passed by as the idle wind. Suppose, however, that the conditions stated in the report to exist are found in your or my shop, are they not such facts as we ought to know? If so, is it necessary to use severe language about them? The information came from out of our shop, and if anyone is to blame it is we, ourselves. It would almost seem as if to call attention to weak places, when such exist, was doing a kindly act. No one's confidence is abused. No one's weakness is exposed. If, in candor, something has been said or printed, through information furnished by manufacturers, which leads to a reform in methods, it would seem as if a service had been done. The Department has no fear of the reception by candid men of this report and of other studies which it is making so long as they are conducted in the broad spirit of truth seeking and truth telling.

As the above is written, the attention of the Department is brought to the fact that there have appeared recently articles in the press which question, in various ways, the origin of the inquiries the Department has made. It is a pleasure to state the facts concerning this. The Department is informed that pottery manufacturers themselves suggested to the Ways and Means Committee of the House of Representatives that they were willing their records should be seen for the information of that committee. The Manufacturers' Association of Montgomery County, Pennsylvania, itself entered the field twice with broad statements as to conditions, which were widely published in the press. In neither case did the Department take the initiative. A study of a portion of the lumber industry, some months ago in the Northwest by a representative of the Bureau of Corporations, also arose not from its own initiative but from the publication of sweeping statements which were alleged to be made in its behalf. The Department willingly submits to thoughtful men its reports for comparison as to tone and tenor with the original statements which led to their preparation.



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SECRETARY REDFIELD IN A CHARACTERISTIC ATTITUDE

The Referendum on a Merchant Marine

BEFORE another issue of THE NATION'S BUSINESS appears, the referendum of the National Chamber upon the subject of the American Merchant Marine, which was provided for at the annual meeting, will be in the hands of all the members. Preparation of the referendum pamphlet, which in this case has presented peculiar difficulties, is now well under way. This is with a view to its distribution in the course of the next two weeks so that a vote, (for which the by-laws allow forty-five days,) may be recorded in the month of June. This will allow plenty of time for action upon the decisions obtained by the vote before the re-opening of Congress next December.

That some surprise has been occasioned by the delay in issuing this referendum, in view of the action of the annual meeting upon the report submitted by the Special Committee on Merchant Marine, is indicated by correspondence received from members at the headquarters of the National Chamber. Such delay is, however, easily explained in view of the circumstances. The report, which was prepared for submission to the annual meeting in February, dealt mainly with the ship purchase measure, then pending in Congress and, at that time, engaging the attention of the entire country. In view of its sharp disapproval of this bill the report submitted a counter proposition for the upbuilding of a Merchant Marine to meet the critical shipping situation that then existed. It was obviously impossible to secure a vote from the constituent membership of the National Chamber prior to the expiration of the short session on March 4th and, as it was then entirely in doubt whether the measure would be passed or whether, in view of its failure, a short session called for the purpose

of dealing with it would immediately take place, it was thought best to await the outcome. The expiration of the session without the passage of the ship purchase bill and the abandonment of the proposal for a special session made it possible to hold back the issuance of the referendum until the meeting of the Board of Directors, which took place in Washington, March 17 and 18.

At that meeting it was the opinion of the officers that, in view of the circumstances, it would not only be possible but desirable to submit to the membership other questions involved in the upbuilding of an American Merchant Marine than those of the ship purchase bill. The recommendations of the report of the Special Committee with the object of securing a broader expression of opinion upon the whole problem was, therefore, fully endorsed and a special committee was appointed to take in charge the redrafting of the referendum upon a new basis.

With these additional questions submitted and voted upon, the Board of Directors will be much better equipped next winter to deal authoritatively on behalf of the members of the Chamber with the varying proposals for the upbuilding of an American Merchant Marine which are sure to be introduced at the coming session of Congress. There can be no doubt that, in the situation produced by the European war, this will be one of the matters demanding the greatest attention of our legislators—whether or not the ship purchase bill will be revived, upon which point no information is as yet available.

The questions, therefore, that will be submitted for vote in Referendum No. 9, on a Merchant Marine, will be entered on two separate ballots, each of which is to be voted in full. The

first ballot will contain the more general and fundamental questions, four in number:—(a) Government ownership and operation, (b) Government ownership with private operation, (c) maintenance of a privately owned American Merchant Marine through Government subsidies, (d) mail subventions for the establishment of regular mail and freight lines to all countries in which American commercial interests are sufficient to justify it. It will be seen that the first two questions will cover the plans embodied in the ship purchase bill of the last session.

The second ballot will deal with the constructive recommendations contained in the majority report of the Chamber's Special Committee on Merchant Marine and will cover five points:—(a) the creation of a Federal Shipping Board with broad powers, (b) the plan for a Marine Development Company, this company under the supervision of the Shipping Board to lend upon the security of mortgages on merchant vessels, (c) the proposal for the extension to slower vessels of the benefits provided for in the existing Ocean Mail law of 1891, (d) the recommendation of legislation regulating rates, providing for the filing of agreements between lines and abolishing deferred rebates, (e) the proposal that all lines engaged in overseas shipping from the ports of the United States be required to take out Federal licenses.

The referendum pamphlet will be made up in much the usual form. In view of the scope of the subject, however, and the number of questions submitted, it is expected to be larger than any previously issued. Following a brief "Statement of Question" the report of the Special Committee, which was submitted at the annual meeting, will be printed and then an explanatory statement in regard to the report by the

Chairman of the Committee, Mr. William H. Douglas of New York. This in its turn will be followed with a brief summary of arguments.

A separate pamphlet accompanying the referendum will contain the addresses delivered by the Secretary of the Treasury and Senator Theodore Burton of Ohio at the annual meeting of the Chamber for and against the ship purchase bill then pending. This debate was given wide circulation at the time in the press and was printed in full in the annual meeting number of THE NATION'S BUSINESS. The pamphlet will be printed in extra quantity so as to meet all demands.

The balance of the referendum pamphlet itself will be made up of appendices, all bearing directly upon the questions at issue. The first appendix will contain a very carefully prepared summary of data, largely historical and statistical in character, upon the American Merchant Marine and various past proposals that have been submitted to Congress for its upbuilding. This will be followed by the text of the ship purchase bill of the last Congress, of the Ocean Mail Act of 1891, of a bill framed by the majority of the Merchant Marine Commission of 1905 and the Alexander bill of the last Congress "to regulate carriers by water engaged in the foreign and interstate commerce of the United States."

The outcome of this referendum will be awaited with unusual interest not only by the public but also by Government officials, as it is generally recognized that the problem of the American Merchant Marine is first and foremost a business problem upon which the opinion of the business men of the country is entitled to carry great weight.

The Vast Possibilities of Russian Trade

BUT for the solid defense made by the Russian Empire, against the invasion of Asiatic hordes, the development of Europe in the last thousand years might have been far different.

Successful commercial relations between civilized nations must have some basis of sympathy and understanding. Consequently, any attempt to comprehend modern Russia, moulded as it is on a vast scale, must consider the enormous service which Russia has rendered to civilized Europe in past years and of which the Russians themselves are perfectly sensible. Such a struggle and such service have had a definite stiffening effect on the moral fibre of the people of which there is no general understanding whatever in this country.

An opportunity has now opened to come to a better understanding and make the new demand for increased trade with Russia a permanent feature of our foreign trade. Already one sewing machine company, an insurance company, and the largest manufacturers of agricultural implements in this country, have proved that a lucrative trade can be established and maintained in Russia. The success of each of these companies has been based on personal representation by men of experience who speak Russian and sympathize with and respect Russian business methods, instead of carping at them because they do not happen to be the same as our own. As a matter of fact, a good deal of business has

already been lost in Russia by just such criticism; it has always been based on ignorance of customs or the traditions which made such customs logical. Russians, like everybody else, resent ignorant criticism. A Russian would waste his time trying to reform American business and the converse is equally true with regard to the American who goes to Russia. But the country is a vast one and its people are amiable and honest. Personal representation by American firms when properly handled by men who can speak Russian and understand and sympathize with Russian business, will be assured of success.

Where firms in this country cannot arrange, for one reason or another, to secure personal representation in the Russian markets, it has been suggested that combinations of manufacturers in different lines, such as will eliminate all question of rivalry and at the same time be free from restriction under the Sherman Act, should establish a joint agency in Petrograd or Moscow or some other commercial center. A further development of such an arrangement would provide for an exhibition of American manufactures which would add very much to convince prospective purchasers. As far as can be ascertained, not very much is done through American commission houses at present, but here again a further outlet can be developed if intelligent study is given to the question. Inquiries recently made by Mr. Baker, before

his departure to take up his duties as Commercial Attaché at Petrograd show that a number of American banks in this country have arrangements for facilitating exchange with Russia, but nothing has been disclosed to indicate that a branch American bank would not be of very much greater assistance. While there are many large and active banks in Russia, a recent writer of considerable experience states that the amount of money and the number of banks available are inadequate to take care of the business offered, and that Americans wishing to establish business in Russia should, whenever possible, be prepared to use their own money. This can be facilitated by an American bank in Petrograd or Moscow.

Closely connected with the purely financial phase of the question is that of giving credit. Here again an American bank would be of special advantage in furnishing its correspondents in this country with reliable credit information. In Russia the whole structure of business is reported to be built up on credit. As a matter of fact much the same is the case in this country. A large amount of our domestic commerce is founded on credit and American manufacturers are only just beginning to realize that they can carry on their foreign business on the same basis. There are a number of reasons, among them the great distance which separates the United States from the rest of the

world, which have rendered American exporters averse to transactions based on credit. The chief reason, however, has been the fact that they have had no proper and convenient facilities for obtaining quickly and without great expense reliable information about prospective customers. However, those who have succeeded in establishing an extended business in Russia have been well satisfied and it is reported that one of them has made the statement that his losses, doing a credit business for the last twenty years, have been less than two per cent.

Another large field lies open for American capital,—the establishment in Russia of manufacturing plants filled by foreign capital and connected with foreign manufacturing concerns. A number of such plants are already in successful operation and a field still lies open for machine tool builders and manufacturers of mining and agricultural machines. Russian labor is cheap, rugged and healthy and is quite intelligent enough to handle the automatic machinery of modern manufactures. An American manager with a number of skilled operators to instruct the native workmen could in a few years take full advantage of the cheapness of Russian labor and the saving of the cost of ocean freight and transportation charges.

The field is a wide one and the opportunity for American enterprise lies in a more favorable position today than at any previous time.

What Britain Is Doing to Capture German Trade

Exhibiting German Goods for Imitation—Subsidizing the Aniline Dye Industry

THE seriousness and deliberation with which British commercial interests, heartily supported by the government, are setting out to capture and, if possible, hold the trade formerly carried on by their German and Austrian competitors, is weighty testimony to the fact that trade rivalry is one of the big factors in the great struggle.

Back of all the nationalistic and political reasons and feelings, the Anglo-German struggle is the keen realization by both peoples that it is largely a commercial duel. The British Board of Trade is making a thorough campaign to supplant German and Austrian goods with British and is amazingly frank about its intentions and methods.* It is carrying on an extensive and insistent propaganda on behalf of the British Industries Fair, which is to be held in London from May 10 to 12. The Board of Trade, which is a department of the British Government, thus expresses its purpose:

The Board of Trade, in pursuance of the scheme initiated by them after the declaration of war for assisting British manufacturers to capture German and Austrian trade, has been holding a series of exchange meetings with the twofold object, first, of showing British manufacturers samples of German and Austrian goods competing most effectively with British products, and secondly, of bringing into touch with British manufacturers buyers who had previously looked to Germany and Austria for their requirements. . . . It has been urged that continental manufacturers have derived considerable advantage from the annual trade fairs held in their countries, and that most especially has this been the case in Germany, notably at the Leipzig Fair. Such fairs have attracted buyers from all parts of the world, and have resulted in orders being given in large volume, whereby manufacturers have been enabled to estimate their output with considerable accuracy and reduce their cost of production.

How Britain Is Aroused

The extent to which the British commercial interests are aroused by the present prostrate condition of German and Austrian business interests is shown graphically by the resolutions adopted at the annual meeting of the Association of Chambers of Commerce of the United Kingdom, held in London on March 16 and 18.

One resolution which was approved, referred to the necessity for encouraging British manufacturers "to expend the necessary capital for the capture and retention of trade done by Germany and Austria" and to consider the best means "of securing continuity of trade after the war is over." Another considered the proposition to subsidize the aniline dye industry and again warned the government that some provision must be made for "guarding against German competition on the termination of the war." A third prayed his Majesty's government to establish a ministry of commerce of cabinet rank. At the preceding annual meeting of the Association of Chambers of Commerce a resolution was adopted "welcoming the constitution of the British Imperial Council of Commerce" and urging the chambers to identify themselves with this body.

British merchants have long realized that Germany, by reason of her

excellent methods and her system of technical education, has been outdistancing the United Kingdom in the world's markets. As far back as 1911, the London Chamber of Commerce approached the Board of Trade with a request for some practical demonstration of what British foreign competitors were doing in her colonial markets.

Activities of the Board of Trade

The agency through which this information of the new conditions in the world's trade is conveyed to the British public is the Commercial Intelligence branch of the Board of Trade, established in 1899. This is a bureau for the collection and diffusion of commercial intelligence. It gathers its material either directly through the foreign office or through commercial attaches and British consular officers in foreign countries, by trade commissioners in the British colonies, or correspondence with the British dominions generally.

The bureau advised that a system of commercial exhibits should be adopted. Various samples of foreign manufactured goods were then collected by British trade commissioners from the British colonies and exhibited at London, Birmingham, Sheffield and Wolverhampton.

A Permanent Exhibition of Samples

In connection with the work of this Commercial Intelligence branch, the Board of Trade maintains a permanent exhibition of foreign samples, particularly those of goods formerly imported from Germany and Austria, for the purpose of demonstrating to English manufacturers the points in which they have been excelled by their Central European competitors. It is reported that a very large number of manufacturers have attended these meetings held at frequent intervals during the past winter and that much interest was manifested. Textiles, toys, earthenware, household goods, cutlery, jewelry and electrical apparatus were the principal exhibits. The Board of Trade is perfectly frank in its announcement of its purpose, "to assist and supplement the efforts of British manufacturers and merchants to profit by the present opportunity for acquainting themselves in markets previously held by German and Austrian or Hungarian firms."

The Commercial Intelligence Bureau has been issuing a series of leaflets (more than 200 have appeared up to date) giving detailed statistical and other data upon the value and amount of the products of various industries exported from Germany and Austria Hungary "to all destinations so far as the particulars are available." The data is very recent, not going back further than 1912, except where general summaries of preceding years are given. In these cases the export trade of Britain's present industrial rivals is taken up by countries.

British Chambers of Commerce

In the regular monthly reports of the Association of Chambers of Commerce of the United Kingdom much attention is given to "Competition with Germany and Austria Hungary in Neutral Markets." As far back as the middle of August, 1914, when the war was only a fortnight old, in an announcement made by the Board of Trade, recorded in these reports, a request was made of the Association of Chambers to cooperate and to an-

nounce to any British manufacturer or merchant that statistical and other information will be supplied him either through the Board of Trade or the Chamber of Commerce, as to how Britain may capture the trade of her "enemies."

Earnest Efforts in the Colonies

All the British colonies have taken this matter very seriously. The Dominion of Canada, which also has a Commercial Intelligence Service, has recently issued a number of supplements to its weekly report. Particular attention is paid to the achievements of German merchants and the Dominion is called upon to help Britain capture German trade.

According to a report issued by the American Consul at Freetown, Sierra Leone (February 15, 1915), each of the British West African colonies has appointed a "comptroller" to wind up the German and Austrian trading firms within its boundaries. This official has given public notice to all creditors to present their claims on account of the "enemy firms" to him on certain dates and the debtors to pay their indebtedness to him. All local claims are settled and anything remaining is held in trust until the end of the war, "being subject to possible peace arrangements."

Even Egypt has entered the contest. The government of that country, now a British protectorate, has issued a notice to merchants and manufacturers regarding British and foreign goods, informing them of the fact that an official testing laboratory exists for examining samples.

Aid to the Coal Tar Color Industry

Very early in the war a movement was started in England for the subsidizing of the manufacture and trade in aniline dyes, an industry which, up to that time, had been dominated and almost monopolized by Germany. It was proposed that a so-called National Company for the manufacture of such dyes be established, supported by government money, to develop the coal tar color industry. It was proposed further, that this company should promote research and study the subject of the utilization of all Britain's available resources for the manufacture of dyestuffs. There was some opposition to this from business men throughout Britain generally on the score that "it would not meet the difficulties of the situation, but would stifle competition and establish a monopoly." An import duty on coal tar products during the war and for some years afterward was advocated by the opponents of the subsidy idea. The Board of Trade has appointed a "committee of users of dyes" for the purpose of considering the new scheme to substitute for a National Company.

The Leipzig Fair and Its Success

In order to understand clearly the methods the British are employing to supplant German trade and commerce, it will be necessary to recall a few of the main facts connected with the famous annual Leipzig Fair. This institution dates back to the sixteenth century. It was one of the developments of the medieval German Hanse towns. References are found in documents of early in the sixteenth century, to the flourishing trade that Leipzig did with the crowds that flocked to the city at that time.

It soon became evident that, not only merchants, but manufacturers, contractors and general middlemen who handled products on a large scale, besides commission brokers, bankers and collectors, were making Leipzig the center of their activities. When the factory system, following upon the rapid increase of population and the consequent greater consumption of merchandise, had developed, and Germany had become united and centralized in her administration, all these things, as well as the improvement in transportation facilities, made Leipzig one of the most noteworthy factors in German commercial and industrial life.

The financing of business became one of its important functions. Emperors assured the Leipzig traders security of life and property and vast business drifted there because of special safety. The city became the center of an enormous jobbing trade. Many organizations met there regularly. Some of the best known German commercial institutions having the word "messe" or "fair" in their names, such as the *Ledermesse* (Leather Fair Exchange), the *Borstmesse* (Bristle Fair), the *Papiermesse* (Paper Fair), and *Buchhandlerrmesse* (Booksellers' Fair), centered in Leipzig. The Yarn Exchange and the German Bicycle and Automobile Fairs held in this city, owe their historic origin to the Fair and are to some extent allied to it although not part of it.

How the Leipzig Fair Idea Developed

Originally, it was a real fair that was held at Leipzig. Later this developed into a sort of exhibition of samples for which orders are placed, in many instances the goods purchased not being made up at the time of sale. In 1892 the Leipzig Chamber of Commerce created a governing body of the present day fairs, the so-called *Mess-Ausschuss*, a committee which has brought about many improvements. With characteristic German thoroughness, this businesslike organization supervises the most minute details of the business at the fair as well as the treatment of visiting merchants and trustees.

Three important fairs are held at Leipzig every year,—the New Year's Fair, principally for fur goods, leather and textile products; the New Year's or Michaelmas Leather Fair, (which also includes the retail dealers' and show fair); and the Easter exhibition of sample stocks of art, glass, metal wood, paper, leather and other articles of luxury and art, ornaments, and musical and scientific instruments.

A number of original publications are issued by the Fair authorities, (one in English for the benefit of English speaking customers), and a list of buyers. All sorts of information with regard to the Fair itself is supplied in German or English. (Anyone desiring to learn may address *Mess-Ausschuss der Handelskammer*, Leipzig, Germany).

The buildings and cost of administration at Leipzig are not expected to yield a profit but merely to pay for the interest on the construction and maintenance. During the past twenty-five years Leipzig has been reaching an increasing number of buyers from all countries of the world. English commerce has seen in the activities of this German city one of its most serious and increasing menaces.

*This article is based on data furnished by the various publications of the Association of Chambers of Commerce of the United Kingdom, the Commercial Intelligence Bureau of the Board of Trade, American Consular reports and other official and authoritative sources.

The New Umpires of American Business

The Federal Trade Commission and How it will Keep Open the Avenues of Trade

(This article was prepared after personal interviews with the Secretary of Commerce and each of the Commissioners).



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THE NEW UMPIRES OF AMERICAN BUSINESS—THE FEDERAL TRADE COMMISSION IN SESSION IN ITS TEMPORARY QUARTERS IN THE COMMERCE BUILDING, WASHINGTON.

Left to Right—George Rublee, William J. Harris, Joseph E. Davies, Chairman, Edward N. Hurley and Will H. Parry.

TO keep open the avenues of trade, so far as possible—to regulate competition so as to kill monopoly in the seed—to place accurate and detailed knowledge of business and business judgment at the service of the Attorney General and the courts in the administration of the Sherman Act—to collect the facts of industry for use in solving the problems of industry—these are the objects of the new Federal Trade Commission, these, as it sees them, are its functions.

A few fundamental primary facts about the Commission should be stated at this time. Some of these facts—most of them, indeed—have already been given to the readers of THE NATION'S BUSINESS, in the address of Chairman Davies at the Annual Meeting of the Chamber of Commerce (printed in our issue for February) and in the preliminary informational statement concerning the Commission which appeared in these pages last month.

The Federal Trade Commission is the second new administrative body dealing with the relations between government and business which has been established by Congress within twelve months. The Federal Reserve Board is already launched in its work of coordinating and organizing the banking facilities of the nation. Now the Federal Trade Commission is preparing to oversee and guide business. These two boards, with the Interstate Commerce Commission, are the national Government's "committees with power" to regulate and assist the business interests of the country.

How the Commission Came To Be

The Federal Trade Commission succeeds and supplants the Bureau of Corporations of the Department of Commerce. It was created by a law which passed both houses of Congress on September 20, 1914. It is composed of five members—Joseph E. Davies of Wisconsin, Edward N. Hurley of Illinois, William J. Harris of Georgia, Will H. Parry of Washington, and George Rublee of New Hampshire, who took the oath of office on March 16. When on that day, they organized by electing Mr. Davies Chairman and Mr. Hurley Vice-Chairman, the Bureau of Corpora-

tions formally passed out of existence and its staff of officials and workers, its records and its appropriations, as well as its unfinished investigations and general business, were transferred to the new Trade Commission. While awaiting the selection of more permanent quarters, the Commission has established itself in the Department of Commerce building.

The day after being sworn into office the Commissioners had a long conference at the White House. In outlining his views regarding the purpose of the Commission, the President, while making no set speech, sketched in a general way those policies which, in his opinion, should be followed, and made it plain that, while he thought it the duty of the new body to correct certain evil practices often heretofore resorted to by some large corporations to smother competition, it was not to be assumed that big business is necessarily bad because it is big. The purpose of the law which created the Commission has been expressed by Chairman Davies, as "an effort to preserve the great body of the business units of the country, constituting ninety-nine per cent thereof, from the menace of possible unfair competition of the other one per cent."

Its Scope and Character

The need for an interstate trade commission has been recognized for many years. Attorneys general, senators, congressmen, economists, publicists and business men have urged it insistently. The late Justice Harlan, in an opinion many years ago, forecasted the necessity and possibilities of such a business tribunal. It remained, however, for President Wilson to bring about the enactment into law of this idea.

Being a continuous body, non-partisan in character, with a term of office of seven years for its members, the Federal Trade Commission may be regarded as certain to be free from influence of any possible political changes of administration. Therefore a continuity of purpose and policy is assured.

The Commission has taken over, it might be said, the stock and good will of the older and smaller Bureau of Corporations. But it realizes that it must do more than that board did. It

has received far-reaching additional powers to prevent unfair competition and to cooperate in the administration of the Sherman Act.

Realizing Its Opportunity

Consciousness of the magnitude of its task and the fullness of its opportunity have very naturally made the Commission deliberate and careful in its organization and cautious about announcing its plans. It has organized without oratory or any dramatic attempts at publicity. One thing it will not do; it has permitted itself to state openly that it has no power under the law to advise corporations in advance as to the legality of any transactions they contemplate. Many large business concerns have made inquiries of the Commission on this point and the reply has invariably been that while it will be glad to confer with business men at any time, it does not intend to adopt any policy which later might be construed as an attempt to create a system of licenses to proceed with any definite business plans. The Commission will aid the Department of Justice in disentangling the affairs of a corporation, but only after violation of law has been disclosed by investigation. This it is required by law to do. But this will, in all cases, be advice after the fact.

One of the first vexing problems of the Commission is, rather inappropriately, a matter of necessary funds and its rights under the several appropriations made for it by Congress. When the regular organization and the regular necessary expenses of the administration are provided for, the Commission contemplates asking that to each measure passing Congress ordering an investigation there be attached a rider providing the necessary appropriation.

Some Popular Misconceptions K1P

It seemed, from the general public opinion as expressed in the press and in some public addresses when the Commission was first organized that, in the understanding of business men, the new tribunal assumed the proportions of a sort of inquisition, the purpose of which was to pry into and harass business when it was not concerning itself with the more passive function of acting as a court of ref-

erence for business men in trouble. No greater misconception is possible of the purpose and functions of the Commission as provided by law and of the spirit in which these five men have entered upon their task. It is the earnestly expressed intention of the Commissioners themselves—an intention they emphasize upon every opportunity—to exercise their powers in a spirit of the greatest possible helpfulness to business men and the public at large.

The Commission will be both investigative and quasi-judicial. In its role as investigator, it will gather facts with reference to the corporate business of the country for the guidance of the President and Congress and the people themselves. "There are in the country, engaged in business, some eighty-five hundred corporations with a capital of over one million dollars each. Of these, sixty-five hundred are engaged in interstate commerce. These are the businesses which come under the jurisdiction of the interstate trade commission. Concerning them the Commission will learn all that it is possible to learn, of their constitution, their processes, their organization, their degree of centralization, their needs, and their relation to the local and to the world's markets.

Its Function as an Investigator

Such an investigation was begun by the Bureau of Corporations which the Federal Trade Commission succeeds and supplants. Letters of inquiry sent out to these sixty-five hundred corporations by the Bureau had, up to March 16, elicited more than five thousand replies, only two of which expressed any complaint or resentment at the searching character of the questions asked. This would go far to show that the business men of the country appreciate the spirit in which the Commission has begun its labors. This function of investigation will be applied also to conditions of our foreign trade, to ascertain just whether or no exporters and manufacturers can be permitted, without detriment to the public, to combine for the purpose of pushing their sales in a foreign country. It is understood that at an early conference with the President, the effect of European business combinations (very often known as "cartels") which come into competi-

tion with American industries was discussed. Following out this line, it was stated that the agents of the Bureau of Corporations, of which Mr. Davies was head until it was consolidated with the Trade Commission, would remain abroad for the Commission to study foreign trade organizations and practices.

The quasi-judicial powers of the Commission authorize it to prevent the misuse of methods of competition, and to prohibit interlocking directorates, discrimination in prices, tying contracts, and holding companies where the effect is to substantially lessen competition or tend to create a monopoly. As a quasi-judicial body the Commission should in time acquire an experience and knowledge which will enable it to reach sound conclusions on economic conditions and facts of a kind and number that no court could be expected to master.

Its Importance to All American Life

When it is remembered that, so great a part does industry and commerce play in our national life that one-sixth of our total wealth is invested in commerce, one-tenth of our people are directly engaged in industrial enterprises, and all of us consumers, we are as a people all concerned with the general welfare of industry. The first division of the activities of the Trade Commission will have to do with a minute investigation into the condition of the more than three hundred different classes of industries that constitute our business as a nation. This section is entitled the "Division of General Investigation." It has already classified the 306,000 corporations of the country into their different sorts on the basis of figures supplied by the last census. Upon this basis, much of the most useful service to business can be performed by the Commission.

Personnel of the Commission

Chairman Joseph E. Davies, is a Wisconsin man of Welsh extraction; a practicing lawyer and an authority on the Sherman Antitrust Act and on corporation laws and trust laws of foreign countries. He was one of the formulators of the Clayton antitrust and the Trade Commission acts, and at the time of his appointment was Commissioner of the Bureau of Corporations which is superseded by the Federal Trade Commission.

Edward N. Hurley, the vice chairman, is an Illinois man and at the time of his appointment was president of the Illinois Manufacturers' Association. He has for many years been engaged in the manufacturing business, being the pioneer in the pneumatic tool industry. He had been connected in the capacities of director or officer with other large enterprises. He has also given special attention to the subject of foreign commerce, and was selected in 1913 by Secretary Redfield to investigate the question of trade conditions and credits in South and Central American countries in their relations to the commerce of this country.

William J. Harris, who at the time of his appointment was Director of the Census, having been appointed to the position by President Wilson in 1913 is a native of Georgia, with the business and political interests of which State he has been actively identified. He was the organizer and president of the largest fire insurance company in his State, and he has also been engaged in banking and many other important enterprises.

Will H. Parry, who was born in New York, has spent most of his business life on the Pacific Coast. After sev-



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THE COMMITTEE OF THE CHAMBER OF COMMERCE OF THE UNITED STATES THAT WILL COOPERATE WITH THE FEDERAL TRADE COMMISSION, AT ITS ORGANIZING SESSION IN WASHINGTON LAST MONTH.

Beginning with Dr. I. C. White, who sits at the extreme left of the picture, the members are: W. L. Saunders, A. W. Smith, Harry A. Wheeler (Chairman), Elliot H. Goodwin (General Secretary of the Chamber), Guy E. Tripp, Rush C. Butler, Joseph P. Cotton, Henry R. Seager, and A. B. Koch.

eral years' experience as a newspaper editor and publisher, he engaged in industrial and financial lines of business, becoming general manager and treasurer of a large ship-building plant, and at the time of his appointment to the Commission was president of several corporations engaged in harbor development and land reclamation, and also in banking. His public activities include the holding of the offices of City Comptroller, President of the City Council of Seattle, director and officer for many years in the Seattle Chamber of Commerce, and other commercial and semi-public organizations. He was chairman of the committee that organized and directed the Alaska-Yukon-Pacific Exposition.

George Rublee, born in Wisconsin, is a graduate and former instructor of the Harvard Law School, and practiced law for a number of years in New York. His practice to a considerable extent was in cases arising under the Sherman antitrust law. He was formerly a member of the firm of Spooner & Cotton, of New York.

The Commissioners are still busily occupied in getting settled in their new quarters. A number of suggestions are being received relative to the plan of organization of staff and the procedure in holding hearings and instituting investigations. These are being considered by the Commission in the informal conferences which it holds daily. It has taken over as one of its first tasks, the completion of the investigation, started by the Bureau of Corporations, upon the propriety of new legislation permitting manufacturers to maintain the prices at which their goods may be resold. Investigations completed by the Bureau of Corporations, now in the hands of the printer, will be brought out under the name of the Bureau of Corporations and not of the new Commission.

The Commission is proceeding deliberately, organizing thoroughly, and carefully exploring its field, so that it may give to the business world and the American public generally, that help and guidance that is expected of it.

The National Chamber Appoints a Cooperating Committee

REALIZING the tremendous task before the Federal Trade Commission and desiring to help, the Chamber of Commerce of the United States, at the meeting of its directing board on March 20, appointed a committee from its own membership to cooperate with the National Commission.

Membership of the Committee

The chairman of the Committee, Harry A. Wheeler of Chicago, is a former President of the National Chamber. Mr. Wheeler is a business man of national reputation, a former President of the Chicago Association of Commerce and is now Vice-President of the Union Trust Company of Chicago. He has been Chairman of the Chicago Public Library Commission, he was a member of the Executive Committee of the Plan Commission of Chicago, and was recently offered by President Wilson a place on the then newly constituted Federal Reserve Board.

The other eight members of this Cooperating Committee are also men of wide business experience and national reputation. W. L. Saunders, of New York, an engineer and manufacturer, is President of the Ingersoll-Rand Company. In addition, he is the inventor of apparatus for drilling rock under water and director in a number of corporations dealing with work in compressed air, and several international tube manufacturing concerns. Henry R. Seager of New York, is an economist, at present Professor of Political Economy at Columbia University. He has several European degrees and is the author of a number of books on economics. Guy E. Tripp, also of New York, is Chairman of the Board of the Westinghouse Manufacturing Company, is widely known for his connection with electrical manufacturing corporations all over the world. He

is, besides, director in many railroads and financial concerns. Joseph P. Cotton of New York, a lawyer of the firm of Spooner and Cotton, a Harvard graduate of broad views and high standing, has been counsel for the New York State Employers' Liability Commission. Alexander W. Smith, well-known attorney of Atlanta, Georgia, is one of the officers of the Chamber of Commerce of his city and widely known for his activities in public and business affairs in the South. Dr. I. C. White of Morgantown, West Virginia, is an expert in mining conservation and, at present, State Geologist. Alfred B. Koch of Toledo, Ohio, is a prominent merchant and President of the National Retail Dry Goods Association. Rush C. Butler, a Chicago attorney, is widely known for his business as well as his legal standing.

The Committee Organizes

The Committee met on April 7 at the headquarters of the National Chamber of Commerce in Washington and completed its permanent organization. The entire membership was present when Mr. Wheeler took the chair. W. L. Saunders of New York, was elected Vice Chairman of the Committee and John M. Redpath was chosen as Secretary.

The Committee was a unit in the opinion that it should take no attitude whatsoever until it had conferred with the Federal Trade Commission. A conference was arranged for April 17. The Committee was also unanimous in the decision to offer its services to the Commission so that upon the initiative of the Government body some plan of cooperation might be reached. The members of the Commission have expressed themselves as highly appreciative of the opportunity to learn the opinion of organized American business through the medium of this cooperating committee chosen by the National Chamber of Commerce.

What Business Men Think the Commission Can Do to Help

Opinions of Some Representative Captains of Industry as Given to "The Nation's Business"

WHAT is the real opportunity of the new government "committee with power" to deal with the problems of business? In a recent interview, Chairman Davies is reported as saying:

The Federal Trade Commission is the traffic police force to see that the rules of the road on what we may term the industrial highways of the nation are maintained. It is to compel the big touring car in the use of these highways not to disregard the rights of the little one, but to accord to it its due share of the road.

The Federal Trade Commission, it should not be forgotten, has no jurisdiction over railroads, all matters of transportation having a national scope coming within the field of the Interstate Commerce Commission.

How do the commercial interests of the country regard the Commission and its opportunity? What in their opinion can it do to help American business? **THE NATION'S BUSINESS** has put this question to a number of the most representative American business men engaged in nation-wide enterprises.

Those replying include James J. Hill, railroad president, captain of industry, head of the Northern Securities Company, vice-president of the New York Chamber of Commerce and director in many railroads and financial corporations; Patrick Cudahy, head of the well-known packing company of Milwaukee, director in banks and leader in industrial enterprises; Charles S. Keith, industrial expert, president of the Central Coal and Coke Company of Kansas City, Mo., and of other coal and lumber companies and railroads, and director in trust companies and other financial enterprises; August H. Vogel, prominent in banking and in the leather business, former president of the National Association of Tanners and at present vice-president of the Pfister and Vogel Leather Company of Milwaukee; Joseph H. Defrees, well-known lawyer of Chicago, vice-president of the Civic Federation of that city and president of its association of commerce, besides being director of the Legal Aid Society and a number of financial concerns; Wallace D. Simmons, president of the Simmons Hardware Company, St. Louis, with branches widely separated over the country, a member of the Business Men's League of St. Louis and of the Chamber of Commerce of New York; Joseph N. Teal, prominent Pacific Coast lawyer of Portland, Ore., active in commercial affairs, director of the Portland Savings and Trust Company and counsel of the Transportation Committee of the Portland Chamber of Commerce; L. L. Arnold, Editor of the journal, *Cotton*, published at Atlanta, Ga.; and Robert Newton Lynch, Vice President of the San Francisco Chamber of Commerce.

Clear the Field, says J. J. Hill

Those in authority, having completed part of their program, can now show themselves equally faithful to the other part, which is the conservation of the business of the country and its property. Business men are ready to do their share. In mutual understanding, without prejudice, lies the hope of the future. For some years after the close of the present war in Europe the opportunities of the United States should be great and its possibilities should also be great. Its

soil products, its mineral products, its manufactures and its capital will all be in demand to restore the waste places of countries partially depopulated and industrially destroyed. What we need is a clear field, no favors, and a full restoration of confidence. Division, hostility and working at cross purposes have gone far enough.

JAMES J. HILL.
St. Paul, Minn.

Each Question on its Merits

Before the passage of the law creating this Commission, the possibility of being—on some strained technicality—pronounced a law breaker or sentenced to confinement, deterred men from doing what they knew was according to the spirit of the law, but which no one was authorized to approve officially. This Commission has announced that it will brush aside legal technicalities in its rulings and pass on each question on its merits. Therefore, many enterprises will be soon under way which would not have been undertaken with the former doubt hanging over them. In my opinion, the Commission can help the revival of business materially by giving wide publicity to the idea that no man need hesitate to embark in any enterprise in harmony with the spirit of the times for fear of being penalized for some unintentional and technical infraction of the statutes.

WALLACE D. SIMMONS.
Philadelphia, Pa.

Cooperation is Necessary

If the Federal Trade Commission adopts the policy that it will frankly endeavor to do all that it can to assist business, it can do so by modifying the effect of the trust statutes by applying the rule of reason and permitting reasonable practices in restraint of trade where, in the end, such restraint of trade will react to the public good. I mean such as agreements that will tend to the practice of the conservation of natural resources, and others. I believe that the time has arrived in this country when the laboring man as well as the employer, when the farmer as well as the consumer, realizes that reasonable cooperation is necessary to industrial welfare and to the prosperity of all classes of citizens, and that cut-throat competition through legislative enactments, or the fear of prosecutions and judicial decisions, is the present curse of this country. This is the only way in which the Commission can be of actual assistance. Any other policy will result in greater depression, if that is possible.

CHARLES S. KEITH.
Kansas City, Mo.

A Body of Business Experts

If the new Federal Trade Commission develops under the act of Commerce constituting it in a manner similar to the development of the Interstate Commerce Commission we shall have in a short time a body of business experts who will have constantly at hand facts and figures which will enable them to form clear opinion not only as to business conditions of any existing enterprises, but also as to probable business conditions which will surround any new or contemplated business enterprises of large scope. It is readily conceded that no statute can be drawn or decision of court

rendered which will adequately define the proper limits of exercise of large business undertakings and legitimate business combinations. The opportunity which this Commission affords for definite and reliable information to persons, firms or corporations contemplating business expansion is of inestimable value, both in prevention of litigation, and encouragement of commercial progress along right lines. It is frequently stated by railroad presidents and officers high in command that the total effect of regulation of railroads under the interstate commerce act has been highly beneficial to the railroads. It seems clearly beyond question that an expert tribunal with power to solve similar questions will prove equally beneficial to the many large business enterprises of this country. When business doubts and uncertainties, heretofore compelled to await determination by the courts, may be thus settled by expert tribunal, it may be confidently predicted there will result in the operation of the commerce of the United States a new freedom from doubt which will go far to remove restraint of trade.

ROBERT NEWTON LYNCH.
Vice-President Chamber of Commerce, San Francisco, Cal.

A Judge Not a Prosecutor Needed

The Federal Trade Commission will help business by causing the public to understand as soon as possible: (1) that it does not believe that it must do something to justify its existence; (2) that its attitude of mind is that of a judge and not that of a prosecutor; (3) that it will now consider only matters of "interest to the public" in the sense that such interest is vital and nation-wide; and (4) that unfair methods of competition will be determined by definite legal standards with sympathetic recognition of existing conditions and the necessary evolutionary progress of business.

JOSEPH H. DEFREES.
Chicago, Ill.

Chance for Successful Cooperation

The opportunity for successful cooperation is at hand. Will both the Commission and business grasp it? What can the Commission do for us? It can assist us in securing a clearer understanding of what is and what is not permissible under the Sherman Act and thus in time build up a code of business ethics which all honest business will be glad to recognize and support. 2. It can make a careful study of the methods employed by European nations in the development of their foreign trade, and suggest ways and means of adopting such policies as are applicable to our conditions. 3. In view of the important foreign tariff modifications which are certain to follow the close of the European war, it can carefully study foreign and domestic industrial and commercial conditions and report to the President and Congress its findings in order that American labor and capital may receive intelligent and just consideration.

AUGUST H. VOGEL.
Milwaukee, Wis.

Help the Railroads

Help the railroads and you will help business. Railroads are the business arteries of the country and when they

are depressed all business is depressed and when you put life into them all business responds. As to the trusts and large combinations, if you find anything illegitimate in their operations, cut it out. Then encourage them to do all the business they possibly can legitimately and compel them to allow the small business man to do likewise.

PATRICK CUDAHY.
Milwaukee, Wis.

Relief from Uncertainty

The field of usefulness of the Federal Trade Commission is as diversified as our industries and as wide as the world. It should recognize the fact that the vast majority of the business men of this country are honest, patriotic citizens, desirous of living within the law, and anxious to do their utmost to further not only the particular interests they may be promoting, but also the common interests of the country. It should endeavor in every possible way to secure the confidence of the business men. It can do this only by being of service to them, by demonstrating that its purpose is to foster, aid and build up, not to attack and tear down, and that it was created to promote the commercial and industrial interests of this country. These men have a very definite knowledge, gained from the school of experience, of their problems in the world's markets, and the Commission, knowing this, should be glad to take counsel with them. Guidance and advice, not prosecution, and fair and reasonable cooperation between business interests, are indispensable if our people are to compete with other nations and be successful. Concretely, I should say one of the subjects of most direct and pressing importance is a study of the conditions our manufacturers have to contend with and of the character of competition they have to meet in foreign markets. The Commission can gather and distribute statistical information of incalculable value. In fact, working in close cooperation with the business men, its usefulness cannot be exaggerated. The possible benefit to business lies quite as much in what the Commission can refrain from doing as in what it may do. Relief from uncertainty and a chance to go ahead on legitimate lines are the needs of today, and the Commission can aid materially in bringing about the desired condition of affairs.

JOSEPH N. TEAL.
Portland, Ore.

The Constructive Spirit

The Federal Trade Commission can do much just at present to help the business of the country by conducting its investigations along broad, constructive lines, rather than sitting in judgment on specific issues of fact; by rendering clear and illuminating decisions on complex points in the present laws controlling business combinations and operation, a number of which are now involved and ambiguous. Especially may this commission become immediately valuable by indicating, through its early decisions, its intention to adhere to this broad constructive spirit, thereby relieving corporate business of a large part of the suspense under which it has been laboring for so long.

L. L. ARNOLD.
Editor "Cotton," Atlanta, Ga.

Some Unfinished Business for the Next Congress

A Few of the Measures, Already Familiar, Which Will be Taken Up

ATARIFF session, one largely occupied with banking and currency and trust legislation, and devoted to the American merchant marine, made up the Congress which ended on March 4, 1915. In the new Congress, the first session of which, according to present indications will open next December, other important measures may dominate the sessions.

Development of the American merchant marine will undoubtedly be advocated in a variety of ways by bills introduced at the opening of the new Congress. Government aid in some form may very likely be urged by the Administration itself, although how far it will adopt principles other than those of the Ship-Purchase bill, which failed of passage in the last Congress, cannot yet be determined.

Regulation of Ocean Rates

In any event, regulation of ocean-freight rates by a commission will surely come before the new Congress. After the compilation of data and after hearings extending over the greater part of two years the chairman of the House Committee on Merchant Marine and Fisheries, in the summer of 1914, introduced a bill for this purpose. It is understood that he will reintroduce this measure at an early date and make it the subject of hearings before his committee. As the bill now stands, it would permit the Interstate Commerce Commission to fix for all vessels, under the American or foreign flags, reasonable ocean-freight rates, to order conference agreements canceled or modified, and to prevent discriminations among shippers or ports.

Interstate Commerce

Last September the bill proposing regulation of issues of railroad securities, originally associated by the President in his address before Congress in January, 1914, as a companion with the bill for a Federal Trade Commission and the Clayton bill, was abandoned after a conference of majority-Senators. In view of statements that the bill would be advocated later it will undoubtedly be reintroduced, although it may not be immediately advanced toward enactment. On December 1, 1914, the Interstate Commerce Commission reiterated its earlier recommendations, "that there should be appropriate and adequate legislation upon the subject of control over railway capitalization."

Bills of Lading

Limitation of liability by railroads for damage or loss of goods through their negligence is forbidden by the Cummins Act, which became law on March 4, 1915, and which goes into effect on June 3, 1915. As this article is being written the Interstate Commerce Commission is considering the effect of the Cummins Act upon freight rates. A comprehensive measure, the Pomerene bill, intended to safeguard business men who deal with bills of lading as representing merchandise for which the bills are issued will certainly be reintroduced and strongly advocated. Enactment of the measure will thus facilitate the use of bills of lading as security for credit. In other words, the bill applies to interstate commerce the principles of a bill drafted by the Commissioners on Uniform State Laws, and now law in twelve States, including such important com-

mercial jurisdiction as Illinois, Ohio, Pennsylvania, New York, and Massachusetts.

Unlike the Cummins Act, the Pomerene bill will have no direct influence upon rates. In two consecutive Congresses it has passed the Senate. It was approved by the National Chamber at its First Annual Meeting, in 1912, and has been endorsed by many other important organizations, including the American Bar Association, and the American Banker's Association.

Rural Credits

Means of increasing opportunities for farmers to secure money for use in the business of farming, at lower rates of interest than have been customary, have now been studied in Congress for several years. When the Federal Reserve Act was under consideration in 1913, plans for rural credits at several stages impeded its progress. Eventually, promises were made that a system for rural credits would be the subject of a separate measure.

In fact, subcommittees of the House and the Senate have since been at work jointly taking evidence, receiving data from the Department of Agriculture, and endeavoring to frame a bill. This task has been difficult. Although in December, 1913, the President emphasized the importance of the subject, in December, 1914, he had to announce that a perfected bill would not be ready for immediate enactment.

Unexpectedly, however, toward the end of February, 1915, the Senate placed on an appropriation bill a plan for rural credits which involved an appropriation from the Treasury of \$10,000,000. Thereupon, the more elaborate bill which was being formulated was reported from committee in the Senate and proved to contemplate an organization of farm loan associations, of Federal land banks, and of administration under central authority, the whole being modeled upon the Federal Reserve System for commercial banking, with its member banks, Federal Reserve Banks, and Federal Reserve Board.

Over participation by the Government, either by appropriations from the Treasury or through obligation on bonds issued upon the security of mortgages of agricultural lands, there was divergence of opinion. Finally, in order that the appropriation bill might be passed in the few remaining days of the session, the rider was altogether discarded, and a Congressional commission, composed largely of the subcommittees already studying the problem, was directed to report not later than January 1, 1916.

Through the report of this commission, rural credits will come prominently before the new Congress. Meanwhile, some States are enacting laws regarding rural credits, and incidentally it is argued in some quarters that the Federal Reserve Act itself contains adequate Federal legislation; for agricultural paper is given the same privileges of rediscount at Reserve Banks as ordinary commercial paper, and six-month paper based on live stock is rediscountable. For this six-month paper of the Reserve Banks now have a rate of five per cent.

Natural Resources

Regarding the natural resources controlled by the Government the President said last December, "We withhold by regulation." He asked immediate

enactment of two bills concerning waterpowers,—those on the public lands of the West and those on navigable streams. As neither bill became law, and both have been discussed before committees, they will be brought forward again in December.

Leasing Coal Lands

Last October in regard to coal lands on the public domain in Alaska, Congress adopted a new policy, providing for leases of these lands upon a royalty basis instead of the long-established policy of conveyance of the title in fee to persons who fulfill stipulated conditions.

A bill extending this new policy to lands in the West containing coal, oil, gas, phosphates, and the like passed both houses, but failed of final enactment, because the House did not agree to changes made by the Senate. Consequently, this bill will again come forward.

Labeling Goods

Labels indicating component materials will be proposed. In the last Congress such action as was taken—report from committee in the Senate of a bill stipulating that fabrics must bear labels disclosing their materials,—was probably in preparation for the new Congress. On the House side of the Capitol the chairman of the committee which considers bills of this sort introduced toward the end of the Congress a bill which requires labels upon all manufactured products except those already within the Food and Drugs Act. Proposals to have labels on at least some classes of manufactured articles, such as textiles, are supported by the Department of Agriculture.

Budget Reform

There are some indications that the new Congress may devise means to establish a closer relation than now exists between the annual appropriations made by Congress and the revenues of the Government. The members of the National Chamber, by their votes in the first referendum of the Chamber, completed in January, 1913, almost unanimously declared in favor of a National Budget. The President is known to believe that there should in one way or another be a definite annual financial programme. Many leaders in Congress have been considering the subject. A House leader who has opposed some of the plans put forward declared two years ago that a radical change in the present arrangement is imperatively needed.

The plan advocated by the National Chamber contemplates submission of a yearly budget to Congress by the President as one of his executive functions. It will be found useful to read in this connection Mr. Harvey Chase's article on the budget which appears on another page.

Treasury Deficit

Just now the usefulness of a budget setting out clearly the revenues and the expenditures of the Federal Government is unusually apparent. Between July 1, 1914, and April 9, 1915, the disbursements of the Treasury Department exceeded receipts by \$118,000,000, and the balance in the general fund of the Treasury,—i.e., the working balance of the Federal Gov-

ernment,—which for seven or eight months has been steadily falling, had dropped to \$28,000,000.

Even after deduction of disbursements for the Panama Canal, which are included in the total deficit indicated above, there remains for eight months a deficit of \$95,000,000,—a sum which before the end of the twelve-month period, in July, may become \$120,000,000 or more.

The present deficit is over and above the proceeds of the emergency taxes imposed last October in order to increase internal revenues. Against the deficit, however, receipts from the income tax for 1914 may be offset. Last autumn the Treasury Department estimated these receipts at \$80,000,000,—obviously a sum which will fall short of overcoming the deficit.

Income Tax

Sooner or later, and probably during the incoming Congress, the law for the income tax will be revised. The Treasury Department itself wants some amendments,—making it necessary for every person who has a gross income of \$3,000 to file a return, causing penalties for non-payment to attach on July 1 of each year, and readjusting other similar matters.

At the same time, banks will probably urge upon Congress that they be relieved in a measure of the expenses they now incur in the course of "collecting at the source," and business men will seek to have nullified the present ruling of the Department, which prevents them from deducting from their gross income the losses which they sustain outside the course of their principal business.

Some Other Subjects

That Will Come Up

Amendment of the Federal Reserve Act may very likely be brought forward, although with what success cannot be foretold. For example, suggestions will be made that member-banks be permitted to accept bills of exchange based upon domestic trade, exactly as they now accept bills based on foreign trade. Conceivably, Congress may be asked also to prevent national banks, upon approval of the Reserve Board, from exercising functions of trust companies in States where local law does not prevent. The argument for such a request may be that such fiduciary relations as those of trustee and executor belong wholly to the province of State law.

The basis of payment to the railroads for transporting the mails,—now arranged according to weight,—will almost surely have early attention. A readjustment supported by the Post Office Department and opposed by the railroads,—with the standard of payment altered primarily to a basis of space instead of weight,—passed the House in the last Congress, but subsequently failed.

Included in other subjects which may be brought forward in the new Congress, are patents, registration of designs, regulations of cold storage, marketing of farm products, and Federal regulation of warehouses and standards for grain.

Altogether, the Sixty-Fourth Congress may resemble the Sixty-Third, in having its sessions characterized by debates upon measures which affect commerce and industry in all parts of the country.



THE HOME OF THE PAN-AMERICAN UNION WHERE THE FINANCIERS OF BOTH AMERICAS WILL DELIBERATE NEXT MONTH

A Conference on Pan American Finance

ALL the countries of the new world have unofficially indicated their desire to accept the invitation of the United States to take part in the Pan-American financial conference to be held in Washington next month. Formal acceptances have already been received from Chile, Argentina, Uruguay, Peru, Salvador, Honduras, Nicaragua, Cuba, Bolivia, Guatemala, Brazil, Paraguay, Costa Rica, Venezuela, Panama, Colombia, and the Dominican Republic. As at present outlined the gathering promises to be one of the most important of its kind that ever assembled.

In order that Secretary McAdoo, now reported as convalescing from a surgical operation, may participate, the date of the opening session has been set for May 24th. While the program has not yet been completed, it is expected that the conference will last at least a week.

Arrangements are being made so that, in addition to the many distinguished foreign delegates, a number of representative bankers and financiers of the United States will attend. This will make possible a thorough and comprehensive discussion of existing financial conditions through the Western hemisphere. Ample time will be given to deliberate upon all phases of the financial and commercial needs and problems of the American republics. This will lead, it is hoped, to the adoption of measures for common advancement and closer relationship. As the personnel of the delegates so far indicates, the conference will have not only official endorsement but will be also represented by practical bankers and men of affairs of each of the countries.

Some of the Distinguished Delegates

An idea of the representative and notable character of the gathering may be had from the list of acceptances already received. The Chilean government will be represented by Luis Izquierdo, formerly Minister of Foreign Affairs; Luis Aldunate, formerly Governor of the Province of Chile; Gonzalo Vergara, a prominent lawyer of Santiago, and Eduardo Suarez Mujica, the Chilean Ambassador to the United States.

Samuel Hale Pearson, of Buenos Aires, one of the most prominent bankers and business men of the Argentine Republic, will head the delegation from that country. Mr. Pearson's grandson, Samuel B. Hale, of Boston, founded the Buenos Aires firm, of which his grandson is now president, in 1833. The capital of the banks and

business corporations with which Mr. Pearson is connected, or in which he is serving as a director, aggregates, it is said, \$700,000,000. Another of the delegates from Argentina will be Richard C. Aldao, formerly the Minister of Finance of the Province of Buenos Aires. V. Villamil and John E. Zimmerman, business men of Argentina, will represent the Buenos Aires Chamber of Commerce. A former president of the republic and now its vice-president, Alfonso Iguine, will be the ranking delegate from Salvador. Jose Suay, sub-secretary of Finance and Roberto Aguilar, a prominent banker of Salvador, will complete the delegation.

An Aid to Settle Economic Problems

In announcing the acceptance of Honduras, Dr. Mariano Vasquez, Secretary of Foreign Relations, in a note to the United States Minister at Tegucigalpa, said:

The Conference will produce, beyond all doubt, great benefits to all the nations of America who are now called upon with the greatest urgency to settle their economic problems, not only to stop the disturbances which the European war is causing to American commerce, but also to assure its progress in the future.

The President of Nicaragua has appointed as delegates, Pedro Rafael Cuadra, formerly Minister of Finance of Nicaragua, and Frederick Albert Straus. Uruguay and Ecuador, in cable acceptances, announce that delegates from those countries will be named within a short time.

Prompt action in appointing representatives was essential in order to enable foreign guests to reach here in time on account of uncertain shipping conditions due to the European war. While here the delegates will be the guests of the nation, an appropriation of

\$50,000 having been made by Congress for their entertainment.

Many Reasons for the Conference

Aside from the unusual conditions which the war offers, it has been pointed out as an essential reason for calling the meeting, that capital for the development of Central and South America for many years has been furnished by Europe, and that the great bulk of American exports has been sent to that Continent. The financial and commercial relations between Europe and the Western hemisphere have been developed and promoted, while commercial and financial relations among the American republics themselves have been long neglected.

Central and South America need and can use the manufactures and products of the United States; the United

States needs and can use the raw materials of Latin-America. But extension of banking facilities among the American republics is one of the controlling problems to solve in the efforts to increase the commercial intercourse of the Americas. Many of the Latin-American countries are accustomed to larger credits than it is usual to grant in the United States. At this gathering, the general commercial relations between the United States and Central and South America in all their respects will be considered.

President and Cabinet to Attend

President Wilson and all the Cabinet, as well as the members of the Federal Reserve Board, will attend the meetings at one time or another. An invitation to be present has been extended to the diplomatic representatives of the various Central and South American countries accredited in Washington, and to John

Barrett, Director-General of the Pan American Union.

Its Scope as Seen by Mr. McAdoo

Discussing the proposed Conference, Secretary McAdoo said:

The cordiality with which the idea of this conference has been received throughout South and Central America has been most gratifying. The conference should result in stimulating to a greater degree than ever before interest in Pan-Americanism, and should also be productive of highly beneficial results in establishing wider, stronger and better financial and trade relationships between all of the nations of South and Central America and the United States.

The people of the United States are looking forward with the greatest pleasure and interest to this great assemblage upon their own soil. They feel honored that the governments of South and Central America are sending some of their ablest and most representative men to participate in these deliberations, and they will omit nothing in the way of the most genuine welcome and hospitality to make their guests feel the warmth and depth of the friendly feeling of the people of the United States for their neighbors in South and Central America.

According to present plans, the sessions of the Conference will be held in the building of the Pan American Union in Washington. With every country concerned alive to its possibilities, there is every reason to believe this conference will accomplish its purpose of promoting and increasing the financial and trade relations of the countries in all parts of the Western hemisphere.

The Program

The very important subject of the program for consideration at the conference has been engaging the attention of the Treasury Department. While all the features of such a program have not yet been determined upon, it seems certain, as far as the editor of THE NATION'S BUSINESS could learn, from conversation with the representatives in Washington, of a number of Latin American countries, that merchant marine, the establishment of branches of American banks and the best use of trade through the Panama Canal will be among the most important topics laid down on such a program.

While the conference is primarily one of financiers, it is not unlikely that a number of business men may be present whose primary interest is not banking, but manufacturing. The Secretary of the Treasury has a wide range of subjects which will interest financiers, from which to choose topics which will form the chief matter for deliberation at this interesting conference.



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SECRETARY MCADOO READY TO FACE THE FINANCIAL PROBLEMS OF THE NATION.

Why Should We Have A National Budget?

What a Government Budget is and How it Serves the Nation's House Keeping

By HARVEY S. CHASE

Mr. Chase was formerly a member of the President's Commission on Economy and Efficiency. The following is an address delivered before the National Council of the Chamber of Commerce of the United States at its third annual meeting, in Washington, February 2, 1915.

WHAT do we mean by a National Budget?

A budget comprises three fundamental parts: (1) A tabulation of proposed expenditures, classified in an intelligible manner. (2) A tabulation of expected revenues, also classified intelligently. (3) Tabulations of the actual expenditure and of the actual revenue of each of a series of preceding years, together with statements of the estimates for those years; so that the actual results can be compared with the "estimates" of each year and also with the estimates for the new year.

The Government of the United States does not publish or use a budget in the described sense. Why?

"Revenue" and "Expenditure"

All government expenditure must ultimately be met by revenue, and by revenue only. Sales of Government bonds, or other evidences of debt are merely temporary expedients, in sound financing. The payment of these debts must come from revenue, that is to say, from surplus revenue of other years devoted specifically to this purpose.

All nations with responsible ministries provide revenues to meet the expenditures of their respective governments by means of budgets. Usually the finance minister prepares estimates of the needed expenditure in summary and in detail. At the proper time he submits these estimates to the legislative body, together with estimates of revenue, also in summary and in detail. He has balanced these, one against the other, and has proposed to increase taxes in number or in rate, if more revenue must be had; or has cut expenditure estimates, if taxes cannot safely be increased.

The central feature of the budget is this balance of revenue against expenditure. It is the primary necessity in nearly all national finance. It is the danger signal and the rallying point for the opposition to a party or a ministry.

Indirect Taxes the Root of the Trouble

In the United States we have not had this fundamental requirement of national finance for many years, mainly because of the phenomenal growth of our wealth and our population, and because our taxes have been principally indirect taxes—custom duties, established for purposes of "protection." Revenue has not been dependent, therefore, upon the requirements for expenditure with corresponding direct taxation, as in most other nations. On the contrary, revenue has been produced incidentally, as it were, and usually in excess of the amount needed for economical and efficient administration. Hence our extravagance as a nation; hence our public building bills; our rivers and harbors' acts; our inefficient civil service; our "pork barrels," and our contempt for economies and economies.

This indirect revenue is one of the reasons why this country has never had a budget and yet has gone on from year to year growing ever more wealthy, ever more extravagant, and ever more contemptuous of budgetary requirements and of the financial methods of foreign nations. Now, in 1915, we are beginning to be pulled

up with a round turn. Now, with our tariff reforms and our income taxes, we are departing sharply from the ways of the fathers. Moreover, in our private business competitions, we hear and join in the slogan of "efficiency," which tends to dominate the activities of business of the present day. It is creeping into governmental methods likewise; into our cities and our States,—witness "commission government" in cities, and note "university extension" in State affairs. It is filtering into our national departments,—witness the demand for cost accounting and for uniform classifications of expenditures. What do these developments mean? What do they portend? Evidently they point to an approach to a closer balance between revenue and expenditure; to an increased attention to this relationship; and to a sharper critical demand for efficiency—which necessarily includes economy—in governmental expenditure. In other words, they portend the approach of the budget and budgetary methods in national finance in this country, as in other countries.

What are Intelligent Classifications?

What, now, is meant by an "intelligent classification" of expenditures and of revenues? Is not the present classification of Government expenditures intelligible? Has not the Government an intelligent classification of revenues?

The answer to these questions, if truthful, must be "No." The present classifications of expenditures and of revenues of the United States Government are not intelligible to the average intelligent citizen or even to the expert student of governmental affairs, unless he has devoted months and years to deciphering classifications and to definitions of the meanings of the terms employed.

"But how can the Government's financial transactions be carried on at all, if not intelligently?" It is true that, in detail the Government's transactions are carried on most intelligently, both on the expenditure side and on the revenue side. Each transaction is clear, accurate, and surrounded by all necessary rules of law or of custom. The items are most carefully verified, approved, audited, entered, and checked in the books and accounts. No fault can be found with the Government's "bookkeeping," although much fault may properly be found with the Government's methods of generalizing these details and of publishing summaries. It is only upon intelligently classified summaries that the outside citizen can base conclusions concerning governmental economy or efficiency of operation, or concerning the relative importance of the proposed expenditures for the various functions of government.

Government Functions

The kernel of the matter is the relative importance of various governmental functions. What are we as a nation proposing to spend for purposes of national defense? What for war pensions? What for agriculture, commerce, health, laboring classes, dependents, etc., etc.? These are the

questions that interest students of government as well as the average citizen. Answers to these questions cannot be obtained from the present methods of compiling and publishing the Government's expenditures or its revenues.

The only way in which they can be obtained, as exhibited in the tables accompanying this article, is by long and patient analysis of the accounts as now published; by dissecting these into their functional parts and then aggregating these parts into wholes along some carefully studied plan of classification, as has been done in the tables appended to this article.

The main reasons for these conditions are these: First, the difference between our constitutional government and other government by "party" ministers, as in many nations. Second, because the House of Representatives is endowed by the Constitution with the power of initiating all revenue measures of this nation, and the House is, and always has been, extremely sensitive to any apparent infractions of its power in this respect, either by the collaborating branch, or by the executive.

The House holds the executive departments down hard, when it comes to questions of appropriations and of revenue raising. It gives the executive small scope in these matters beyond providing the preliminary estimates upon which the House exercises its prerogatives and which it cuts down or increases as its investigating committees' conclusions, or political pleasure, may determine.

Work of Congressional Committees

The work done by Congress upon the details of expenditure is enormous. The time spent by conscientious members of committees is surprising. The store of knowledge concerning the needs of individual offices and departments by long-continued members of these committees is astonishing. The work is vast in its total extent, and as a whole it may be said to be exceptionally well done. Great credit should always be given to these committees of Congress. Their detail work is most valuable. It is real protection to the country against extravagance and inefficiency in the great executive departments.

For these purposes the Congressmen requires the departmental estimates to be classified in a manner intelligible to him, in detail, and to be compared with exactly similar classifications extending back over a series of years. Thereby he is enabled to judge intelligently concerning the relative necessity and cost of these details and to cut out unnecessary expenditure, or diminish waste.

It is evident that the appropriating power of the Government must have such detailed, often minute, classifications in standard, almost unchangeable form, year after year. Without them the members of committees would be wholly at a loss and the business of the Government would stop. Such detailed classifications are arranged according to the "organization units" which are to expend the money. The classes relate to the subdivisions of departments, bureaus, offices, establishments, etc., etc., not primarily to

"purposes" of expenditure or to "functions" of government. Such organizational classifications are necessary. We must have them.

We should not have them, however, to the exclusion of the other, equally needed and equally important classifications according to purposes of expenditure and to sources of revenue. It is the lack of these, at present, that makes the summary statements of Government expenditures, appropriations, and revenues so unintelligible to the business man and to the average citizen. It is the lack of these functional classifications which we deplore and which it is the duty of the Government to provide—not only the duty of the Government, but its necessity, if it is to be intelligently and economically administered hereafter.

How this shall be done is a serious and complicated question, upon which there may be—in fact, there are—various opinions among those who unite in demanding that it be done, somehow, soon.

Functional Classifications

Suppose now that the President is about to submit to Congress and to the public his annual message at the beginning of the session. He has, we will say, adopted the budget idea and has prepared a message supported by tables of figures based upon estimates of proposed expenditures and estimates of expected revenues furnished to him by his Cabinet officers and by the heads of the Government establishments. These estimates have been prepared in two ways: First, in the ordinary way, as required by present legislation. Secondly, in a new way, arranged in logical order and intelligible sequence, grouped by purposes (functions) of government and segregated by character of expenditure, whether for current expenses or for capital outlays and for subdivision of each. The revenues, too, have been carefully calculated and compared with other years. Due allowances have been made, non-revenue receipts have been eliminated, trust funds and trust income have been separated, all remaining revenue concisely classified, and the available total determined. The President, with the advice of his Cabinet—and probably with the assistance of a "central administrative accounting bureau"—has prepared these estimates of revenue and of expenditure in budgetary form. He has struck a balance. He has accepted the anticipated result, whether it be a surplus of revenue or a deficit. If the latter, he has considered methods of providing for the deficit. With these data before him, he constructs a budget as follows: He sets up the revenues by classes, with explanations, and a final total. He tabulates the proposed expenditures, classified by functions and purposes of government. He first deducts from the total estimated revenue the "fixed charges," which must be met without question—such as interest on public debts, definite debt redemptions, revenues required for trust-fund liabilities, or other special funds, such as pension requirements. He allows also for recurrent requirements for upkeep and maintenance of the public buildings,

THE NATIONAL BUDGET

On Its "Expenditure" Side Only

CLASSIFIED BY FUNCTIONS OF GOVERNMENT

Based on the "Estimates" submitted to Congress by the Departments and Offices for the current Fiscal Year ending June 30, 1915, and for the new Fiscal Year ending June 30, 1916.

GENERAL SUMMARY. TOTAL ESTIMATES.

	Fiscal Year 1914-15.			Fiscal Year 1915-16.		
	Operation and Maintenance Expenses.	Construction and Improvement Outlays.	Total Estimated Expenditures.	Operation and Maintenance Expenses.	Construction and Improvement Outlays.	Total Estimated Expenditures.
A. Totals for "War" Functions (National Defense) excluding sinking-fund estimates.	\$401,286,834	\$56,895,356	\$466,182,190	\$397,204,573	\$61,867,230	\$459,071,803
B. Totals for "Peace" Functions (Social & Economic) excluding Postal and sinking-fund estimates.	110,074,651	79,239,444	189,314,095	123,866,137	72,500,130	196,366,267
C. Totals for Postal Service.	368,803,117		368,803,117	291,175,850		291,175,850
D. Totals for General Governmental Functions.	61,830,638	6,658,054	68,488,692	59,760,430	2,113,025	61,873,455
E. Totals for Local Governmental Functions.	11,537,132	3,580,521	15,117,653	10,751,498	2,572,730	13,324,228
Grand Totals, all purposes, except sinking-fund	991,551,372	146,413,405	1,137,964,777	891,660,610	130,353,124	1,022,013,734
"Sinking-fund" estimates, having no validity.	60,717,000		60,717,000	60,723,000		60,723,000
Grand Totals, per "Book of Estimates"	\$662,268,372	\$146,413,405	\$1,108,681,777	\$951,422,610	\$130,353,124	\$1,081,775,734

*Sinking-fund provisions are negligible; merely bookkeeping items having no actual existence. There are no securities and no cash in the so called "sinking-fund."

grounds, parks, reservations and the public domain generally. Having tallied these and deducted the total from the expected revenue, he next exhibits unavoidable expenditures for military and naval purposes, for continuation of engineering projects of great importance, and for similar requirements. The total of these is again subtracted from the remaining revenue and an amount of revenue is left which is available for less mandatory purposes.

Concerning the expenditure of this portion of the revenue there may be considerable question and discussion. Whether, for instance, more shall be spent for national defense or whether that money should be used for the stimulation of agriculture, or for promotion of commerce; whether less should be provided for the function of education and more for public health, or vice versa; whether or not labor and the laboring classes need additional promotion and whether defectives and dependents should be more liberally provided for. All the various functions and activities would thus have consideration from the standpoint of the relative importance of each to all other expenditure and to the available revenue.

The Part Played by Congress

These questions having thus been tabulated by the President and transmitted with his opening message to Congress, the latter would then proceed in its usual manner to refer the functional estimates to committees (perhaps, first, to one General Appropriation Committee), who would consider each functional estimate in terms of the departments and subdivisions (organization units) who are to spend the money. Detailed tabulations would have been prepared, just as at present, relating to all these items of expenditure—somewhat more uniformly and scientifically classified, however. The committee of Congress would hold hearings and make investigations, just as at present, but the total to be recommended for appropriation by any committee would be governed and controlled in large part by the budget proposal the President had submitted.

The final power of Congress over the appropriations—subject to executive veto—would not be interfered with in the slightest degree by such a budget, but, in place of the present chaotic conditions, we should have scientifically prepared summaries and logical conclusions by which one action of Congress could be compared and thereby could, in a measure, be controlled by the people themselves through their representatives.

The Advantages of Such a Budget

It is evident that such a budget, such an analysis of the finances of the Government, of the purposes and character of expenditure, and of the relations of the latter to the expected revenue, would present a picture of supreme interest to every intelligent citizen in the country which would be of the greatest importance in efficient handling of financial problems by Congress. Such an exhibit by the President at the opening of the session would be intensely stimulating to the public, would provoke discussion and criticism, would flood the mail boxes of Congressmen with urgent appeals to increase here and to cut down there, and would open the eyes of members themselves as to what could be done and what could not be done in the way of modification and change without upsetting the balanced relations of the proposed expenditure as against the total expected revenue.

There can be no question that the idea of a national budget has taken such firm hold of the public mind and has so impressed the members of both Houses of Congress that the next session of our national legislature is almost certain to adopt some measure providing for such a systematic classification of our national revenues and expenditures. The matter, indeed, has made such progress that there are apparently no longer any prominent leaders who attack the plan as a whole and the question is one of method rather than of principle. A number—ever increasing—of chambers of commerce and other business organizations in all parts of the country have passed resolutions in favor of the adoption of a budget. The National Chamber devoted its first referendum to this vital subject. The count taken resulted in a practically unanimous vote of the business men of the country in favor of conducting the business of the nation in a businesslike manner. The National Chamber has constantly advocated the adoption of a national budget and at its last board meeting authorized the appointment of a committee of experts to deal with this subject, studying all its phases, with the idea of suggesting a practical plan for submission at the next session of Congress.

A budget, being a systematic classification for specific purposes, admits of analysis along as many different lines as the purpose of the budget maker has in view. The tabulations given on this page illustrate the classifications of a national budget in accordance with the analysis made by Mr. Chase in his article. The classification of expenditures may be seen from the table "General Summary, Total Estimates." As illustration of it more detailed estimate, as Mr. Chase has analyzed the subject, we give below what he terms "Table A, Expenditures for War or National Defense Functions." Other detailed tables, drawn up in accordance with Mr. Chase's classification, together with the full text of his article, will be printed in a pamphlet which the National Chamber proposes to bring out and distribute to its members as a general "round up" on this question which has now become so vital to our national housekeeping. The present condition of the public mind, especially as reflected in the situation in Congress, is touched upon on another page this month.

A. EXPENDITURES FOR "WAR" OR NATIONAL DEFENSE FUNCTIONS

Army. Navy. War Pensions. War Debts.

	Fiscal Year 1914-15			Fiscal Year 1915-16		
	Operation and Maintenance Expenses.	Construction and Improvement Outlays.	Total Estimated Expenditures.	Operation and Maintenance Expenses.	Construction and Improvement Outlays.	Total Estimated Expenditures.
Estimates for Costs of Present-day National Defense						
Current Charges, Annual Appropriations, (1)						
Defense by land (Military).....	100,249,712	\$14,379,198	\$114,628,910	\$93,447,100	\$15,943,824	\$109,390,924
Administration: Secretary of War.....	148,040		148,040	146,440		146,440
Adjutant-General's Office.....	730,570		730,570	724,870		724,870
Quartermaster Corps.....	378,670		378,670	376,620		376,620
Engineers and Insular Affairs.....	208,581		208,581	206,390		206,390
Other offices, War Dept.....	456,598		456,598	453,878		453,878
Defense by sea (Naval).....	98,311,306	42,490,734	140,802,040	96,558,480	45,332,801	141,891,281
Administration: Secretary of the Navy.....	76,460		76,460	81,580		81,580
Bureau: Navigation, Intelligence, Records, and Docks.....	108,790		108,790	110,790		110,790
Bureau: Engineering, Repairs, Yards and Shipyards.....	166,430		166,430	128,430		128,430
Bureau: Supplies, Accounts and other offices.....	304,660		304,660	273,740		273,740
Operation and maintenance (2/3) of the State, War and Navy Building (3).....	188,013	2,000	190,013	105,227	8,000	113,227
Totals for current national defense.....	201,267,830	56,871,932	258,139,762	192,615,445	61,284,625	253,900,070
Estimates for Costs at Present of Previous Wars						
Current Charges, Annual Appropriations.....	186,674,527	23,424	186,697,951	183,419,651	582,605	184,002,256
War pensions, retirements, veterans' homes, etc.						
Totals for current charges, war functions.....	387,942,357	56,895,356	444,837,713	376,035,096	61,867,230	437,902,326
Fixed Charges, Permanent Appropriations, (1)						
Interest on war debts.....	13,000,000		13,000,000	13,000,000		13,000,000
Sinking-fund provisions for war debts (2).....	37,000,000		37,000,000	37,000,000		37,000,000
Trust funds, established by war requirements.....	2,770,000		2,770,000	2,730,000		2,730,000
Special funds and accs. for war purposes.....	5,574,477		5,574,477	5,430,477		5,430,477
Grand Total for War Functions.....	446,286,834	56,895,356	503,182,190	434,204,573	61,867,230	496,071,803
Deduct "sinking-fund" (2).....	37,000,000		37,000,000	37,000,000		37,000,000
Total estimates for actual War Functions.....	\$409,286,834	\$56,895,356	\$466,182,190	\$397,204,573	\$61,867,230	\$459,071,803

(1) These terms "annual" and "permanent" might be better stated "current" and "recurrent," as all appropriations are included in the estimates annually before Congress, even though the amount is not fixed (indeterminate), or the time is not fixed (indeterminate). (2) Operation and maintenance expenses of office buildings, rents, etc., are mainly included in item in "operation and maintenance of public buildings." General Governmental Purposes, because these expenses cannot be separated, under present methods of bookkeeping. (3) Sinking-fund provisions are negligible; merely bookkeeping items having no actual existence. There are no securities and no cash in the so called "sinking-fund."

The March Meeting of the Board of Directors



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THE BOARD OF DIRECTORS OF THE CHAMBER OF COMMERCE OF THE UNITED STATES AT ITS MARCH MEETING

Left to Right, Sitting: R. G. Rhett, Chairman of Executive Committee, Charleston, S. C.; A. B. Farquhar, Honorary Vice-President, York, Pa.; Frederic E. Boothby, Portland, Me.; Willoughby M. McCormick, Baltimore, Md.; William H. Douglas, New York City; T. L. Temple, Texarkana, Tex.; John H. Fahey, President, Boston; L. C. Boyd, Indianapolis, Ind.; Frank A. Seiberling, Akron, Ohio; Franklin Conklin, Newark, N. J.; James R. Maccoll, Providence, R. I.; William H. Stevenson, Pittsburgh, Pa.; Standing: Elliot H. Goodwin, (left), General Secretary, and David A. Skinner, Assistant Secretary.

AN important action taken by the Board of Directors of the National Chamber at its session in Washington, on March 17 and 18, was the selection of a committee to cooperate with the Federal Trade Commission. Harry A. Wheeler, of Chicago, former President of the Chamber, was appointed chairman of the committee. More details will be found on another page of this issue.

The Board gave careful consideration to all the work that the Chamber now has in hand as well as to the program for the current year. Special attention was given to determining those matters which, owing to the present condition of business, call for immediate consideration. It was decided that the favorable time had arrived for an effort to secure the adoption of those measures which had been unanimously endorsed in the Chamber's referendum on National Budget System and a Permanent Tariff Commission. Provision was made accordingly, for committees, aided by experts, to present these matters to the President and to Congress. A committee was provided for to deal with the questions of unemployment and a national system of labor exchanges. Rural credit legislation, which, it is believed, will occupy a prominent place on the program when Congress again meets, was referred for study to a special committee.

Importance of State Legislation

The question whether the Chamber should undertake to supply a long felt want relative to definite information regarding legislation pending in state legislatures affecting business interests was also considered in detail. This matter has been brought to the attention of the Chamber from various sources and its importance was fully recognized by the Directors. While some states have adopted a method of procedure which would permit legislation to be followed without great difficulty, in most of the states the situation is such as to make it necessary

that the Chamber should maintain its own local agents. It was reluctantly decided by the Board that, in view of the other pressing matters in which the Chamber is engaged, this work could not be taken up at present. It was felt, however, that it should be kept prominently in view so that a thorough service might be established, such as is now given by the Chamber concerning all Congressional legislation. This, of course, will be taken up as soon as the Chamber is financially equipped to do it.

To Test Income Tax Law

The Board decided to test in the courts, if found necessary, the correctness of the regulations of the Treasury Department which for the purpose of the law taxing net incomes, require business men to account for gains from all their transactions but permit them to deduct only such losses as they incur in a regular occupation. The directors were anxious not to provoke a controversy in the matter in an antagonistic spirit but felt that it was important to have it settled. They were of the opinion that this should be done in the courts, if there was no other way.

Numerous resolutions which by action of the third annual meeting were referred to the Board for consideration were in turn referred to committees for consideration and report.

President Fahey was authorized to take up with President Wilson the question of a National Budget and a Tariff Commission. A resolution was drafted, for adoption by the board expressing to the President of the United States the satisfaction of the Chamber in regard to his taking up the question of a National Budget.

Election of Officers

The Board then proceeded to the election of officers and directors to fill vacancies caused by resignations. Samuel McRoberts of New York and Joseph H. Defrees of Chicago were

elected vice-presidents of the Chamber. Mr. McRoberts is vice-president of the National City Bank of New York and Mr. Defrees, a lawyer, is a past president of the Chicago Association of Commerce. William Butterworth of Moline, Ill., president of Deere & Co., and Granger A. Hollister, of Rochester, N. Y., were elected directors.

A new executive committee was elected as follows:

R. G. Rhett, Chairman, Charleston, S. C.; L. C. Boyd, Indianapolis, Ind.; Franklin Conklin, Newark, N. J.; Joseph H. Defrees, Chicago, Ill.; William H. Douglas, New York, N. Y.; John Joy Edson, Washington, D. C.; Alfred I. Esberg, San Francisco, Cal.; Charles S. Keith, Kansas City, Mo.; Robert F. Maddox, Atlanta, Ga.; E. T. Meredith, Des Moines, Ia.; William H. Stevenson, Pittsburgh, Pa.; John H. Fahey, Boston, ex-officio.

Six organizations and forty-eight individual members were elected. The former were: Chamber of Commerce, New London, Conn.; Association of Commerce, Sheboygan, Wis.; Chamber of Commerce, Blytheville, Ark.; Chamber of Commerce, Ogdensburg, N. Y.; Canned Goods Exchange, Baltimore, Md.

Secretary Goodwin reported that on March 17 of this year the organization membership of the Chamber numbered 634, representing an underlying membership of 281,054 corporations, firms and individuals, and that the organization membership was distributed in 47 states, the District of Columbia, Hawaii, Porto Rico, the Philippines, and Alaska, and included the American commercial organizations in Paris, Berlin and Constantinople.

Other Subjects Considered

At the third session, it was voted that a resolution presented by the American Association of Commerce and Trade, Berlin, Germany, on the "most favored Nation Treaty clause"

be referred to the Committee on Foreign Relations. It was also voted that the resolution presented by the Massachusetts State Board of Trade in regard to the restriction upon foreign patents and patentees be referred to the Chamber's Committee on Patents, Trade Marks and Copyrights.

The Washington office was asked to investigate the question of legislation to standardize the size of packages, as presented in a resolution by the National Slack Coopers Association and the National Basket and Fruit Package Manufacturers Association. The same action was taken on the question of the creation of a National Marketing Commission as presented in resolutions by the Los Angeles Chamber of Commerce.

A special committee was ordered appointed to investigate all the questions involved in the matter of a Pure Fabric Law. This came up in connection with a resolution presented by the National Association of Clothiers.

Acting on a resolution offered at the annual meeting by the Seattle Chamber of Commerce a Committee on Conservation was ordered to be formed to consider the question of enacting water power legislation. The report of the Chamber's Special Committee on Trust Legislation in regard to the combination of business interests in export trade, adopted at the annual meeting, was referred to the new Federal Trade Committee of the Chamber.

A special committee was authorized for the purpose of studying and reporting on proposed legislation for the establishment of a system of rural credits in the United States. This subject will undoubtedly assume an important place in the next Congress and the Directors expressed the feeling that very careful study should be given to all phases of the subject before legislation is finally enacted.

The next directors' meeting will be held in New York City.

Seven Months of Trade Through Panama



THE WORLD'S MOST IMPORTANT COMMERCIAL HIGHWAY, THE PANAMA CANAL—THE FAMOUS CULEBRA CUT SEEN FROM CONTRACTOR'S HILL, LOOKING NORTH. FROM ONE OF THE RECENT OFFICIAL PHOTOGRAPHS OF THE CANAL COMMISSION.

TODAY grain and wheat can be carried in steamers from the Pacific Coast to England through the Panama Canal in less than two months. Formerly this same grain and wheat was carried in sailing vessels around Cape Horn and the voyage took four and a half months.

The Canal does not offer quite the same facilities for sailing vessels as for steamers, and there is reason to believe that it will not be of equal advantage. Sailing ships will have to be towed the entire distance through the locks from one ocean to the other, which will very much increase the transportation cost. Then the approaches on the Pacific side of the Isthmus are through areas of frequent calm which sailing ships generally prefer to avoid.

A Solid Body of Traffic Already

However, the Canal route, which is just about as old as the war,—a steamer of the Panama Railroad Steamship Company having made an experimental trip through the locks on August 4, 1914,—shows a very considerable amount of traffic. Four hundred and ninety-six vessels, carrying an average of four or five thousand tons of cargo each, passed through between August 15, 1914, and February 14, 1915—the first six months of operation. Two hundred and fifty-two of these vessels came through the Pacific to the Gulf, east bound, and two hundred and forty-four of them were bound from the Atlantic to the Pacific. Nearly half (over 41%) of the cargo handled was in movement in the so-called coastwise trade between ports of the United States, a little more moving west bound from the Atlantic to the Pacific than the other way.

About one-third of the balance consisted of cargoes being moved between the west coast of South America and the Atlantic seaboard of the United States and Europe, and another third between the Pacific coast of North America and Europe. The rest was on routes between the Atlantic coast and the Far East and on miscellaneous routings.

No railroad has had a more romantic history than that which, until last summer, had taken the place of the treasure-laden mule trains of the Spanish conquerors. Except as an auxiliary when the Canal may not be in operation, the Panama Railroad has taken a back place. No appreciable amount of through freight now appears to be carried across the Isthmus by the railroad. The steamers of the Panama Railroad Company go instead, through the Canal to the Pacific side on an average of once a week and load at Balboa the through freight which they used to take on the Atlantic side at Cristobal. Although the railroad has been relocated and largely rebuilt, its commercial importance from now on will be largely local. The Canal has supplanted it.

Tolls of \$2,000,000 in Six Months

It is too early to judge whether the Canal is a paying proposition. Not only the war, but the uncertainty of the route, due to slides in the Culebra Cut, have not offered an opportunity for the development of new trade through the Canal under favorable circumstances. Nevertheless, the total income from tolls levied during the first six months amounted to more than \$2,000,000, the actual figures be-

ing \$2,126,832. If the total investment in the Canal is admitted to be \$400,000,000, an income of \$12,000,000 a year from tolls would mean a return of only 3%. As the cost of operation and upkeep and other over-head charges have not been announced, speculations regarding the income from tolls as a business proposition must have a largely academic interest. The operations of the first six months, however, give conclusive evidence that toll levies will reach substantial figures. With this much said the matter of income may be dismissed. The building of the Canal was not a matter of speculative financing on the part of the United States Government, but an undertaking which had definite aims of quite a different character.

How the Landscape has Changed

Those who remember the Isthmus in the early days of 1904, before it had become the field for the greatest enterprise ever undertaken by our government, will find very little today to recall their early impressions. Even the aspect of the towns along the route of the Canal during the period of construction under Colonel, now Major-General, Goethals, has altered. Some of the towns have disappeared entirely. Those which remain are taking on the aspect of permanent settlements. Concrete houses and other structures have largely replaced the frame houses of a year or so ago. Balboa is being built up a town of solid white concrete, forming a foreground for the spacious government building which will house the administrative officers of the Canal, and which dominates the town from an

eminence below Ancon Hill. On the Atlantic side the new Hotel Washington offers all the comforts and conveniences of a first class hotel and is a substantial structure built for permanency.

Along the route of the Canal range lights of artistic construction and appearance rise at frequent intervals, and the wide concrete walls of each of the great locks are topped by rows of graceful columns carrying lights which will enable the working out of the locks to be carried on at night with as much convenience as by day. The scars which used to mark the borders of the artificial upland lake of Gatun, which now stretches from Gatun, twenty-four miles, to Gamboa at the entrance of the Culebra Cut, have disappeared and these inland waters are taking on the appearance of natural permanence. By the time the Canal is officially opened, which may not be until July or even later, the permanent construction which is still under way at the ports of Cristobal and Gamboa will be far advanced toward completion. The coal line plant at Cristobal on the Atlantic terminus, which is situated where the old French canal joins the new Canal opposite Cristobal Point, will have a capacity of 200,000 tons; that at Balboa on the Pacific side a capacity of 115,000 tons. Already coal can be supplied to vessels at either terminal at the rate of 600 to 750 tons a day. Dredged harbors, drydocks, breakwaters, hospitals, great piers and quays, are only some of the permanent features which will facilitate the vast commerce destined to pass through the great water-route dividing the western hemisphere in two.

Chinese Captains of Industry to Visit Us

An event of the most far-reaching significance to American commerce is the coming of a party of representative Chinese Merchant next month to tour the United States.

Five years ago, it will be remembered, at the invitation of the Chinese Government, a party of American business men from the Pacific Coast states, visited China and were received with the most distinguished consideration and every possible courtesy. A return visit was projected for the following year. Captain Robert Dollar, of the Robert Dollar Shipping Company of San Francisco, with branch offices at Shanghai, Hankow, Hongkong, Manila, Tientsin and Kobe, made a trip to China in 1911 and arranged for the return visit in 1914. The revolution which overturned the empire, however, prevented the carrying out of this plan. Now a party of thirty representatives commercial men of China, including bankers and captains of industry, are actually returning the visit.

The trip is the outcome of several years of negotiation conducted largely by the Chamber of Commerce of San Francisco and, although the regular expenses of the party will be defrayed by their home government, the eminent Chinese merchants will, of course, actually be the guests of American business men when they land in America.

The idea is to study commercial conditions in this country and endeavor to promote closer trade relations with the United States. The Chinese Government has appropriated funds sufficient to take the party as regular passengers on a seventy day itinerary which will begin on May 3, when the steamer "Manchuria" arrives in San Francisco and will extend over more than eleven thousand miles.

The Chief of the Bureau of Far Eastern Affairs of the State Department, E. T. Williams, and the Commercial Agent of the Bureau of Foreign and Domestic Commerce of the Department of Commerce, E. C. Porter, stationed at New York, the latter having a command of spoken Chinese, have been delegated to meet the party at San Francisco and escort them on their tour.

The eminence and representative character of this party will be seen by enumerating the offices and achievements of a few of the best known members. For example, H. Y. Liang, a man not yet forty years of age, who has studied in Chinese, Japanese, English, and American schools, has been president of the Pao Chang Mining and Smelting Company, advisor to the Yunnan Mining Bureau, Director of the Yunnan Government Assay Office and Commissioner to investigate the mining industries of Europe and America.

Hong Yu Kwah, educated in the high school of Nanking and the Imperial College of Languages at Shanghai, was one of the pioneers in weaving in China. He built one of the first soap factories in the country. He also has extensive interests in coal mines, telephone and electric lighting companies.

Hong Tsu Liang, founder of the Hong Hung Foo Silk Manufacturing Company and a director of the Soochow Chamber of Commerce is also a trustee of the Commercial School and a Director of the Merchants' Militia of Soochow.

Pian Chao Hsin, former assistant manager of the British Trade Company in China, was commercial investigator for several large firms in his town in Europe and America. He is a young man now in his twenties, and

a student in the University of London. Neih Chi-Shih is director general of the Heng Toong Cotton Manufacturing Company at Shanghai, director of another cotton spinning company in Tungkow and of the Anglo-Chinese Cotton Spinning Company at Shanghai. He is a director and leader in a number of the educational and other public enterprises, and an active leader in the work of the Boy Scouts and Y. M. C. A.

Kim Kaitong is chairman of the Shanghai Ela Guild. He has been in the tea business for more than twenty years and is manager or proprietor of eight well known tea companies.

B. T. Yu Chia during the Empire, with his wife, undertook the work of improving the art of embroidery, founding the Fuh-shou Embroidery Institute in Soochow in 1906, and a Girls' Industrial School at Tungkow in 1914. Mr. Yu is a delegate to investigate industrial arts at the Panama-Pacific Exposition.

Chen Sheng, member of the Municipal Council and Chamber of Commerce in the metropolitan district of Chihli, is an officer of the Corps for the Protection of Merchants, and a director in many factories. He is proprietor of concerns manufacturing lacquer ware and cloisonne.

Ki Tung Wang, a distinguished mathematician, is author of several valuable works on that subject. In 1895 he was professor of mathematics in the Peking College; later he studied electrical engineering and became consulting engineer in several of the largest electric lighting companies in Chinkiang, Nanking and Hangchow. He is now developing an invention for converting or transforming electric current.

Chan Lim Pak, formerly a member of the Provincial Assembly of Kwangtung Province, has been President of the Chamber of Commerce of Exporters at Canton, Financial Advisor to the Imperial Government of Kwangtung and is now proprietor of a raw silk exporting company, a coal mining company, and of the Marine and Fire Insurance Company of China, Ltd.

Nicolas Tsu, owner of the Nicolas Tsu Engineering, Car Building and Ship Building works at Shanghai, is also Comptroller of the Shanghai Indo-China Bank and of the Committee of the Shanghai Tramway Company.

Pao Chen of Mukden Province, was formerly a Lieutenant General under the Empire. He was director of the Sea Fishery Administration and later of the Coal and Iron Mining Company at Pen Hsi Lake. He is now proprietor of several coal mines.

Tsai Wen Hsien organized the Chamber of Commerce at Wusin in 1905. The next year he investigated industry and the organization of savings banks in Japan and later became managing director of a number of savings institutions in China. He has been president of the Yung Yuen Sheng Rice Company, the Yao Ming Electric Lamp Company, and several flour mills, and is an honorary member of the Chinese Committee at the Panama Exposition.

Huang Yen-pei is vice-president of the Kiangsu Provincial Educational Association and was formerly Commissioner of Education in his home province, a member of its Provincial Assembly and a delegate to the National Educational Conference a few years ago.

Other important members of the party are: B. Y. Su, Director of the Shanghai Chamber of Commerce, and C. C. Huang, an owner of extensive mine interests, and C. C. Kong.

What the Organizations Are Doing

Many Eastern shoe factories have resumed on full time. Knitting mills in the United States are running at capacity.—*Board of Trade Journal* (Portland, Me.).

The Board of Governors meets each Friday at 1 P. M. For over ten years no meeting has been postponed nor failed of a quorum.—*Chamber of Commerce Bulletin* (Chattanooga, Tenn.).

Arrangements for a course in salesmanship, free to employees of members of the Chamber, have been carried far enough to ensure its being given. An early beginning is promised.—*Chamber of Commerce Journal* (Lynn).

There has been opened in the Japanese pavilion on the exposition grounds at San Francisco an information bureau designed to facilitate the purposes of tourists to extend their tour to wonderful Japan itself.—*Chicago Commerce* (Chicago).

Through the Publicity Committee of the Peoria Association of Commerce, two thousand enamel street signs were purchased by the Commissioner of Public Works and placed at the street intersections.—*Golden Book* (Peoria).

New York City as a municipal corporation carries on a business of about \$250,000,000 a year. This expenditure exceeds that of the National government, excluding outlay for the military and post office departments.—*Greater New York* (New York).

If city planning in America is going to proceed along permanently satisfactory lines, it will be because the chambers of commerce have promoted it and backed it. The commercial organizations have a great civic duty before them in directing and promoting the healthy and reasonable growth of our cities.—*Baltimore* (Baltimore).

Portland has just witnessed the biggest three days' campaign in chambers of commerce movements in New England. The minute men, on the last day of the campaign, not only reached the 1,000 membership desired, and the \$20,000 annual income sought, but exceeded each goal by securing 1,101 members and an annual income of \$20,401.—*Eastern Argus* (Portland, Me.).

The Rochester Chamber has attempted to help the sons of its members to appreciate to a better degree what the energy and activity of industry means,—what is going on behind the windows of the fifteen hundred factories in their city, so that their boy can become acquainted with processes that he will afterwards be called upon to consider both as a worker and as a citizen.—*Commerce* (Rochester).

The Chicago Association of Commerce has under consideration the building of a great convention auditorium which it proposes to call "The Town Hall of the Nation." For many years Chicago has suffered from a lack of adequate facilities for the holding of a large convention, and it is to remedy this deficiency that the gigantic structure under consideration is suggested.—*Town Development* (New York).

Complaints have been made to the Merchants' Association by certain of its members of delays in the delivery of mail. In view of the fact that promptness in mail deliveries is of the utmost importance to the

trade and commerce of the city, the Association has taken the matter up in order to ascertain whether the delays are sufficiently numerous to indicate the existence of defects which can be removed.—*Greater New York* (New York).

While New York and other ports on or near the Atlantic and Gulf Coasts are the actual points of departure of steamships, shippers, for quite a distance inland, may find it to their distinct advantage to make use of the Panama Canal. No doubt, it will be only a short time until the railroads in general will make a combined land and water route from interior points through to the Pacific Coast.—*American Industries* (New York).

Setting a precedent for the state, and probably for the entire country, the Raleigh Chamber of Commerce has arranged with the City Commissioners for one of the city's paid firemen to inspect the hotels of the city hourly each night. His records are filed with the Secretary of the Chamber. This protection is arranged by the Chamber in addition to that provided by the hotel that the guests may feel amply protected against hazard of fire.—*Chamber of Commerce Bulletin* (Raleigh).

The demand for private motor cars, high-priced as well as low-priced, which, at the beginning of the war, was practically non-existent, is now slowly but surely rising, and has already reached to a perceptible percentage, the normal. The home piano trade has already reached half the normal. In the city of London there is reported to be a constantly increasing demand for high-class securities, and other good securities bearing high yields.—*Chamber of Commerce Bulletin* (Coventry, Eng.).

That Latin Americans insist on having just the kind of article that suits their taste is illustrated by an incident in Guatemala. An old man in the interior, a large ranch owner, had always been used to a certain kind of necktie, and asked a local house to buy a number of them for him. The house ordered several from an American concern, but the latter wrote back that that kind of necktie had been out of date for twenty years, and sent several of the latest design. These were refused, however; the old kind was obtained from Europe, and the American house lost what might have been an opening wedge to a good trade.—*Chicago Commerce* (Chicago).

It is evident that the number of censors controlling the war situation is very large—that they must work in different shifts—that they handle a great variety of messages, and, therefore, are liable to be skeptical on account of their limited knowledge of messages, which in themselves are honest and straightforward. It should, therefore, be impressed upon the foremen and subforemen of the Censorship Departments the advisability of not throwing out any messages which have not been thoroughly investigated, even up to the head of the department,—this as much for their own good as for that of American manufacturers. Recently Cincinnati manufacturers have been obliged to cable several times within a week on the same subject, receiving in return messages which clearly indicated messages previously sent here had never been transmitted.—*The Cincinnati* (Cincinnati).

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